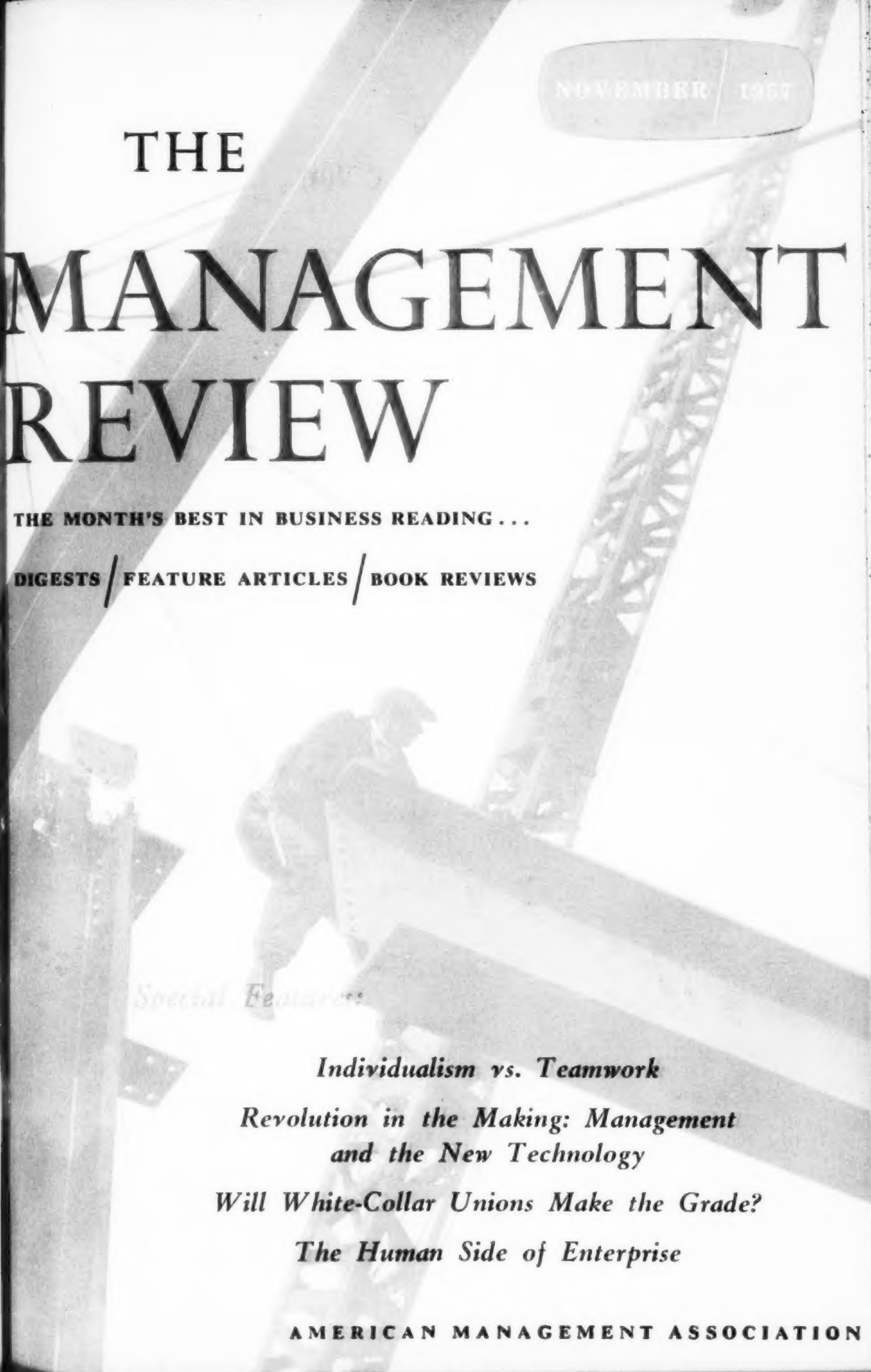
NOVEMBER | 1957

THE MANAGEMENT REVIEW

THE MONTH'S BEST IN BUSINESS READING . . .

DIGESTS / FEATURE ARTICLES / BOOK REVIEWS



Special Features

Individualism vs. Teamwork

Revolution in the Making: Management and the New Technology

Will White-Collar Unions Make the Grade?

The Human Side of Enterprise

AMERICAN MANAGEMENT ASSOCIATION

in this issue . . .

- **Conflict, Cooperation, and "the Team."** Perhaps one reason a smoothly-functioning executive team is often so difficult to develop and maintain, says ROBERT HERSHEY, is that management has tended to idealize its own concept of "the team" and has invested it with certain attributes of a good sports team that don't necessarily apply. His article, *Individualism vs. Teamwork: Can We Reconcile the Goals?* (page 4), strongly suggests that management must give more attention to the conditions or incentives that make executives *willing* to subordinate their individual goals and drives to the larger goals of the group.

- **The Best Is Yet to Be.** Technology is heralding in some dramatic changes in industry's basic processes—changes that will make today's methods look elementary in comparison, says H. J. RAND. For a preview of the transformations that lie just ahead—and management's role in effecting them—see *Revolution in the Making: Management and the New Technology*, page 11.

- **White-Collar Unions Talk Turkey.** Labor apparently means business about its boast that it will have some important segments of the white-collar "market" signed, sealed, and delivered a year from now. For an analysis of the appeals and strategy behind the newest drive for white-collar organization, and its probable chances for success, see GEORGE ODIORNE's article, *Can White-Collar Unions Make the Grade?* on page 18.

- **Carrots and Sticks.** In a forthright appraisal of management's unfinished business with regard to *The Human Side of Enterprise* (page 22), DOUGLAS MCGREGOR examines some false assumptions about workers' attitudes and behavior on the job that have given rise to a kind of "carrot-and-stick" approach to motivation. In their stead, he advances some more positive theories for releasing the creative potential that exists in every organization.

—THE EDITORS

THE
MANAGEMENT REVIEW

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DEPARTMENTS

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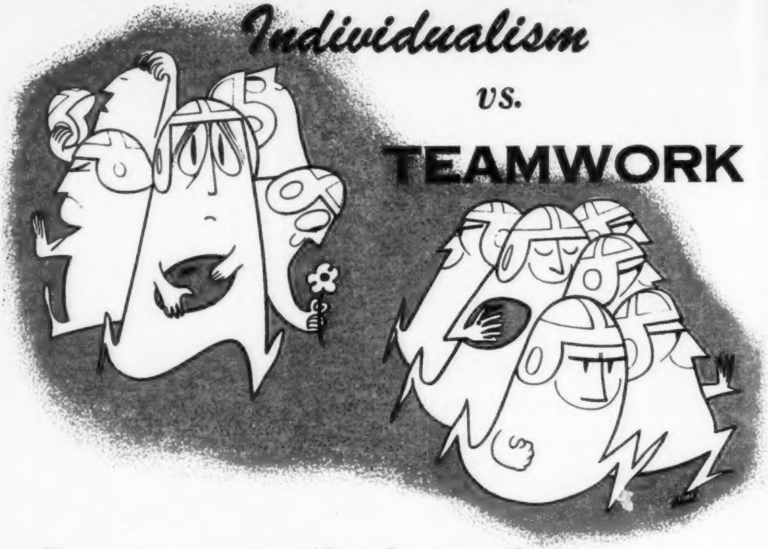
Individualism vs. TEAMWORK



Can we reconcile the goals?

■ ***Robert Hershey***
Personnel Director
Bulova Research and Development Labs, Inc.

WHEN GRANDPA TOOK OVER the reins of the family business, his first pep talk probably dealt with the teamwork he expected from his employees. Now, many years and many more dollars later, the goal of teamwork remains as elusive as it was in grandpa's day—though, as a result of our industrial growth, it is more urgently needed than ever. Let cries of "teamwork" echo from mahogany row to the universities and reverberate in the literature of management; the fact remains, it is no easy task to get a group of men to operate as a team in an industrial setting, chiefly because it is still just as difficult to induce them to substitute a common company goal for their individual goals.

YEA, TEAM!

Long before any of us entered the business world, we had some contact with teams and team spirit. It might have been sandlot

baseball with the "old gang" or participation in frenzied college football rallies. It isn't really important that we have played on a team; what does matter is that we have emotionally identified with a type of group activity that engenders what we have come to recognize as "teamwork."

Consequently, when a management man speaks of "the team" he has, by virtue of his previous experience, a definite concept of unselfish, goal-oriented behavior. He knows that there is such a thing, because he has experienced it, and it is logical for him to try to duplicate this spirit in his business organization.

BUSINESS TEAMS AND SOCIAL TEAMS

It is true that, by its very nature, a business organization is a kind of team—a group of men performing their separate assignments and working, with greater or less success, toward a common goal. It is equally true that, in business as in sports, there are poor teams as well as good ones. The problem arises when we make the unwarranted assumption that a group that *should* have a common goal is a group that *does*.

Both business and social teams may fail for lack of expertness, but both may also fail because key members place personal goals before those of the team. Merely assembling a group of capable people is not enough to insure teamwork; the members of the group must be given sufficient incentive to make them willing to relinquish or adapt their personal goals for the good of the organization.

OBSTACLES TO MANAGEMENT TEAMWORK

It boils down, therefore, to a problem of conflict: the same man who, in his social and cultural life, is encouraged to outstrip his peers and fulfill his high level of aspiration is, in his business life, asked to achieve his aspirations by surrendering at least some of his personal goals for those of the team. The degree to which the individual members are willing to do this will determine the amount of teamwork that is possible in the company.

It would be easy, although not very helpful, to state that poor teamwork is due to psychological conflict and let it go at that. But we know that conflicts can be resolved, and individual goals can be surrendered if group goals are a sufficiently rewarding substitute for

them. There are, however, elements that make it more difficult to persuade an individual to abandon or modify his own goals in a business setting than it would be in a social team situation—and that is probably why there are more good football teams than there are good management teams.

THE LINE, THE STAFF, AND THE TEAM

In any business organization, there is only one line function, and this necessarily relegates staff functions to a secondary role. As a result, only one member of the business team (a team composed, for example, of the heads of the manufacturing, inspection, engineering, sales personnel, accounting, and planning functions) can be the star. Not that the others can't shine, but their brilliance will be of a lesser magnitude. Since there are more staff functions than line, there are more teammates who cannot gratify their need to excel their peers. Rather than surrender their individual aspirations, they are moved to consolidate and defend their positions.

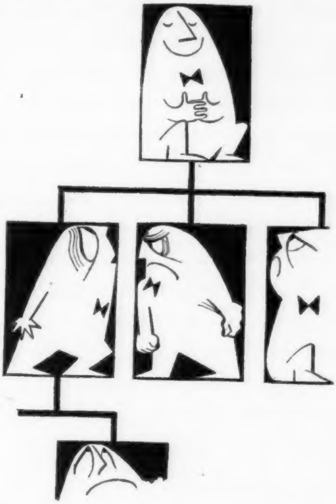
Staff members often get no chance to star.

In a social team, in contrast, different individuals can assume the "line" position: Every member of the team has a chance to be a star and an opportunity to satisfy his need to excel. For example, any baseball player can hit a home run; any football player can intercept a pass, recover a fumble, or make a key tackle; any basketball or hockey player can score a goal. Thus a player can be line (i.e., score the point) in one instant and staff (i.e., help score the point) in the next. This arrangement, of itself, encourages teamwork. But a member of the business team enjoys no such mobility between line and staff.

STAFF AND STATUS

There are other important disparities between management teams and social teams. In a social team, there is not as much difference

in the relative importance of a "staff" function. That is, a tackle usually has no more prestige than a guard; a first baseman, no more status than a second baseman; a forward, no more prestige than a center. Yet on a management team there is a hierarchy of importance within the staff functions. Depending on the organization, engineering may be regarded as a more important staff function than planning—or vice versa. Hence, although we ask our management members to join our team with unnumbered invitations, they are quite aware of where they fit into the scheme of things. This staff hierarchy makes a teammate that much more reluctant to surrender his individual goals for those of the team.



Management team members know where they fit in the scheme of things.

INITIATIVE AND CONTROL

In any given moment, the line man of a social team usually controls the direction of the team unequivocally. For example, the ball carrier on a football team does not have to check with the captain if he sees a chance to run through the breach in the opponent's defense, nor does a basketball player wait for permission before making a shot. In contrast, no manager can unilaterally direct the action of the team to which he belongs without first gaining the concurrence of his superior and/or his peers. Thus, not even the team member representing the line function of a company can gain the satisfaction of "carrying the ball" alone.

An additional satisfaction present in a social team but lacking in a business team is that an athlete has the opportunity to excel others in similar positions in other teams. The business team seldom offers such competitive opportunity to its members; it is, in a sense, self-competing.

Owing to these inherent differences, a member of a social team is encouraged to help the team advance the ball; a member of a business team is likely to have more interest in advancing the ball only when he is carrying it. But in spite of the pressures exerted on the members of a business team, it is incontestable that there are a number of truly successful management teams. Four possible reasons for this might be suggested:

1. Team leadership has been so effective that the members have voluntarily surrendered their individual goals for those of the team in the belief that they can gain more satisfaction from team accomplishments than from individual accomplishments.

2. Statistical odds notwithstanding, chance has brought together a group of men who have low levels of personal aspiration but a strong desire to identify with a winning team.

3. Chance has brought together a group of individuals whose individual goals coincide with those of the team.

Individuals may conform to obtain recognition from the leader.

4. Individual members conform to behavior they believe their leader expects of them in the hope of obtaining recognition, prestige, and status. These teammates are not fully satisfied in the relinquishment of their personal goals, but they make what they consider an expedient trade-off.

It is apparent that the last category is illustrative of adaptive, rather than convictional, behavior. One suspects that William H. Whyte's Organization Man does not really accept the organization as a way of life, but that he has adapted to it, much as we all modify our overt behavior to gain some sort of advantage. There is too much contrary evidence in our culture to believe that the degree of conformism we read about in our business literature represents acceptance of conformity rather than adaptation to it.

But how are good teams built? Obviously, we cannot trust to

the chance elements mentioned in points 2 and 3 above. Yet if the very organizational structure in which the team is supposed to develop is detrimental to its growth, then we must either revamp our concept of line-staff organization or develop a good team *in spite of* the handicap of organization. The only way that this can happen is if the leadership afforded the team can surmount the drawbacks of organization by providing more satisfying rewards to a group behaving as a good team than the rewards they would get by behaving as individuals. This can be promoted in several ways:

1. Encouraging the individual team members to outstrip their own previous last best performance, rather than that of a teammate.

2. Not permitting the blame for a particularly bad job to fall solely to the last function that handled it. For example, if a new product is not selling, the sales department may share the blame with engineering for poor design, manufacturing for poor construction, inspection for poor quality, marketing for faulty anticipation of demand, advertising for improper direction of impact, etc.

Give credit to the whole team when a job is well done.

3. Treating the staff functions as equals. Some companies have reputations for "being run by the accountants;" in others, a man can't reach the top unless he's "come up from Sales."

4. Directing the drive for competitive expression towards other companies, rather than sanctioning competition among the various functions of your own company.

5. Letting your men carry the ball. This is nothing more than delegation of authority with no strings attached.

6. Giving credit to the entire team when a job is particularly well done. For example, even though the sales department may have landed a big order, point out that other departments deserve credit—manufacturing and engineering for licking technical prob-

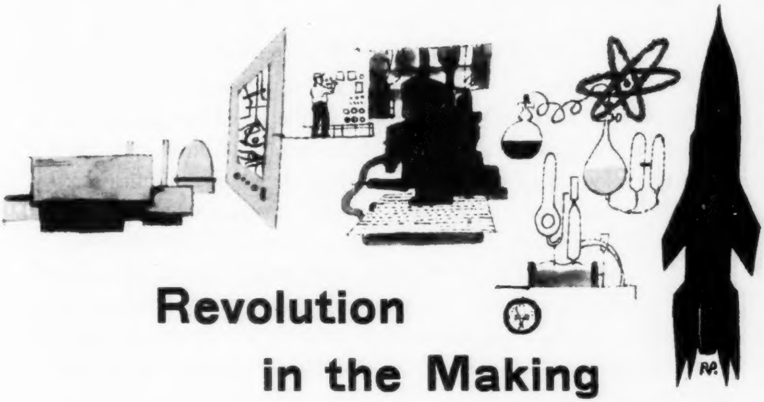
lems, personnel for selecting and training good men, purchasing for getting the best-priced material, and so forth.

TEAMWORK IN MANAGEMENT

Teamwork in management is neither automatically developed nor self-perpetuated. It is unwarranted to assume that there will be no differences in team spirit between a social team and a business team. A comparison of the "line-staff" relationships in the two types of team makes some of the differences clear and enables us to see the problem realistically.

The practical conclusions to be drawn from this view of the dynamics of a business team are twofold: Those fortunate enough to belong to a good management team can contribute to its permanency by examining its foundations. Those who are not so fortunate, but whose goal is a winning management team, will have to abandon their idealization of the social team as a model toward which they should try to build. For the two have distinctly less in common than we have generally assumed.

"I've been meaning to talk to you about those tranquilizers you've been taking, Jackson."



Revolution in the Making

Management and the New Technology

■ *H. J. Rand*
President
Rand Development Corp.

THE PACE OF RESEARCH and development today has been stepped up to the point where attempts to describe what lies ahead often seem to border on science fiction. For progress is no longer rising in a regular curve, but is exploding upward in logarithmic fashion, and even a conservative appraisal of the future presents an almost unbelievable picture of products and processes—some entirely unknown now, others improved almost beyond recognition.

This wave of scientific advances is placing an increasingly heavy burden on management—the responsibility of keeping pace with the changes as they occur and finding ways to make their benefits available to the public as efficiently as possible. Only an awareness of the scientific revolution now in progress and a willingness to plan ahead can insure against corporate obsolescence and prepare

From an address by Mr. Rand before the AMA Research and Development Conference.

the way for a prosperous future—for business, for industry, and for the country as a whole.

MATERIALS OF THE FUTURE

The aircraft industry presents a good example of the importance of new and improved materials. Airplane manufacturers, who began by using wood and fabric for plane construction, gradually took advantage of the newly-found miracle metal, aluminum. By the late twenties and early thirties, most of the airplane was made of this metal. We are now in an era of titanium, in use for only about ten years, and we are already graduating to high-temperature steels. There is a strong possibility that we are coming into an age of high-temperature plastics, which have the low heat conductivity necessary to prevent the destruction of aircraft leaving and re-entering the earth's atmosphere at tremendous speeds.

It is clear that a revolution in metals is just starting, and the next 40 years will see startling advances in steel, aluminum, copper, and other basic metals, as well as the introduction of a host of new metals and alloys. These new metals will open new frontiers and crumble old barriers to accomplishment—particularly in the fields of production, where myriad new products and processes will be developed, and transportation, where it will be possible to build ships, trains, and planes of undreamed-of prowess.

PLASTICS AND ENGINEERED MATERIALS

The past 50 years have seen tremendous developments in the whole field of plastics, primarily in the field of cast or molded forms. Plastics are still in their infancy, however, and untold wonders lie ahead: plastics that will be nearly as strong as steel; others that, combined with fibers, may be strong enough to support bridges.

We are now seeing the emergence of engineered plastics, which utilize the properties of several materials in composite form. A good example of this type of material is reinforced fiber glass, which combines the glass fibers of tremendous tensile strength with polyester or other resins to protect the fragile fibers against abrasion. Another example is the resin bonding of refractory materials such as zirconium for use in rocket nozzles. We can expect the development of such materials to continue at an increasing pace.

We can also expect to see the development of an industry utilizing inorganic fibers other than glass in heat-resistant fields. By the year 2000, we should have a whole new family of materials not now known to man or nature. These will be created by processes such as General Electric's synthetic diamond process, which has already produced the first of such materials, boron nitride, in a state unknown in the world of nature.

DOWN ON THE FARM

The last place many of us might think of looking for modern techniques is on the farm, but the advances here are truly startling.

In 1900, farming was carried on principally with animal and human musclepower, and much of our population was so engaged. Then the tractor came into being. Horses have now practically disappeared, and one man can accomplish what five did in 1900. In the last generation alone, there has been a greater advance in farm machinery than in the previous history of man. Automation is already a reality in farm management, from the milking machine (a rather impressive step by itself) to chicken farms with conveyor belts, artificial sunlight control, and automatic feeding.

As the population grows and the demand for food increases, we can expect computer and photoelectric sensing devices plus programming on magnetic tapes to allow men to cultivate, plow, sow, and reap with merely supervisory monitoring of the situation in several fields at the same time. One day in the not-too-distant future, a farmer may sit at the console of a TV receiver and keep track of machines in a half dozen fields by radio control.

MACHINES THAT THINK

Some of the most dramatic advances of the future will lie in our fast-increasing ability to solve mathematical, engineering, and scientific problems with the help of mechanical brains, and to build machines that will outperform anything we have today. The key to man's ability to grapple successfully with the technological revolution he is creating is the computer—and the photoelectric sensing devices that will enable us to think faster than such a machine. Giant strides already are being taken in instructing complex machines by magnetic tape. We can now machine difficult parts

to tolerances closer than any heretofore possible, and repeat the operation indefinitely by putting the instructions to the machines on magnetic tape. These machines surpass even our most skilled machinists in repetitive skill.

Since 1900, there has been an enormous increase in investment in tools to increase the productivity of the worker. The figure which we have already reached ($300,000 per worker in an oil refinery) may be expected to increase several times by the year 2000. At least we can expect that the investment per worker of automatic tools in factories will increase at an astronomical rate.

MEETING FUTURE POWER REQUIREMENTS

Half of all the oil used in the history of man has been consumed in the past 25 years. (A new superbomber uses more fuel in one mission than most of our air force required in 1918.) By the year 2000, we will be very much aware of the limited amounts of fossil fuels—oil, coal, and natural gas—that are available, and hydroelectric power will have been utilized to the maximum.

By that time, atomic energy will be commonplace, and many believe that the problems of controlled atomic fusion—the hydrogen bomb reaction—will have been solved. At present, control of atomic fusion is probably in the same stage of development as control of atomic fission was in 1940: The theory has been worked out, and what remains is the practical application. We must learn how to control temperatures of 100 million degrees and find means of containing such temperatures.

Some scientists believe the solution lies in the use of electromagnetic fields, which will hold the hydrogen reacting atoms in the center of a large pipe, so that a few feet of space and radiant shields would hold this temperature. The necessary isotopes for this reaction might be obtained from the sea, which probably contains sufficient isotopes in one cubic mile of water to supply the annual energy requirements of the entire country. If so, and if this step can be accomplished, it will change the whole concept of our way of life. We will mine the sea, instead of the land. We will have very cheap electric power, and we will be able to extract gold, silver, iodine, bromine, tungsten, and other rich constituents of sea water, in addition to the magnesium we are already extracting. In the

process, we will probably be farming the sea as well—growing foods not even thought of at this time, most of which will probably be unicellular animals and plants. This would make available adequate food for our expanding population for at least the next century.

TOMORROW'S CHEMISTRY

Great strides have been made in chemistry in the years since 1900. We now have plants that take nitrogen out of the air, others that produce chemical compounds and formulations that seem sheer magic. Our ability to construct new materials like nylon is already impressive. Chemistry leads the parade to tomorrow, and that industry's advances in the next 40 years will make the last 40 years look like child's play. The sea will be turned into hundreds of valuable chemicals, as the air now is. New fibers, new finishes, new materials of all kinds will come from the laboratories, affecting everything we eat, wear, or use.

THE SCIENTIFIC REVOLUTION

Although it is hard to see when it is taking place so close to us, a tremendous revolution has already begun. The revolutionists of the future will be the scientists and engineers. This key group will work radical changes in our lives, turning old "impossibles" into "possibles"—breaking through to new frontiers in medicine, production, transportation, and nearly all phases of our economic lives. This group must keep alert, open-minded and ever awake to new methods and materials. The record of the past proves that our futures lie with the men of science. They will work wonders that no magician would dare contemplate, weaving tapestries of metal, making houses of fiber and plastic, creating new cloth, new metals, new foods, new plants.

What can we do to keep abreast of this scientific wave of the future? The answer, of course, is research. One important question that must be answered by business leaders is, "How can we get more from our research dollar?" Here are nine suggestions for getting the most out of research expenditures:

1. Never stop asking questions, like "How can we do it better, faster, cheaper? How can we make it more useful, more attractive, less costly?"

2. Look for opportunities in those areas where technological progress is moving fastest and where major companies are willing to supply free counsel and technical advice: metallurgy, plastics, chemicals, automation. Seek, don't wait for these companies to come to you.

3. Set up research and development programs of your own, even if you have little or no staff to carry them out. Such programs will define objectives, and frequently can be implemented inexpensively by outside consultants.

4. Constantly look beyond your own market for opportunities where your production and sales talents can be utilized. Don't wear blinders. Fresh approaches solves old problems.

5. Try to avoid paying for work that has already been done. It is often faster and less costly to spend the time putting together present knowledge into a solution of your problem than trying to be original.

6. Specialize in narrow fields. Few can afford to carry on broad research projects covering many fields.

7. Remember that what "couldn't be done" is being done. Every day, new discoveries are made that make yesterday's "impossible" possible. Research risks are worth taking.

8. Always evaluate possible projects in terms of degree of feasibility. Then place your research dollars on the project most likely to succeed. But persevere. Many projects are stopped just short of success.

9. Be alert, quick to move in new directions when opportunity beckons. Don't set your course rigidly and steer for oblivion. Be flexible.

OUTSIDE ASSISTANCE

Some research and development problems are best solved by the company's own engineers and scientists; others logically belong with an outside expert or consulting firm. Before deciding, several steps should be taken:

First, make a careful and thorough investigation of such firms. Find out what they are strong in, what types of problems they are successful in, what equipment and staff they have.

Second, invite them to talk over your problems or opportunities. This usually costs nothing, yet it can open up to you new areas of thinking, new approaches, and new projects for consideration.

Except for the most highly prized trade or technical secrets, keep your doors open for these people. Let them visit your plant, study your product, analyze your new developments or projects. Utilize the well-proven fact that a qualified outside observer can quite frequently spot a solution or an opportunity quicker than one who has lived too closely with the problem.

Outside consultants can be a valuable adjunct to a company's own research staff. The use of the consulting firm can enable the company to broaden its research facilities without additional investment. Electron microscopes and similar technical equipment cost too much for one firm, yet they are the essential tools of tomorrow.

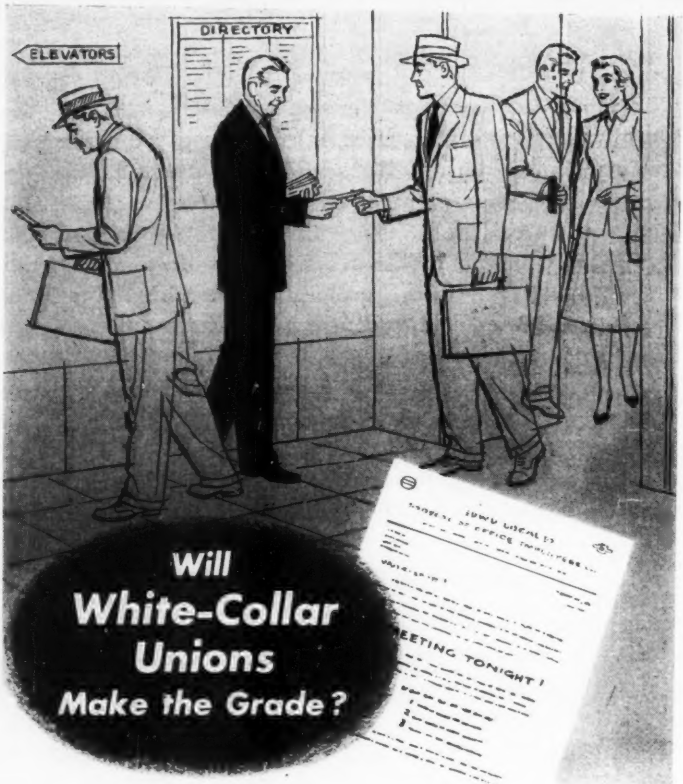
MANAGEMENT AND THE FUTURE

There are, of course, obstacles in the way of progress. But a look at even the minimum expectations makes it clear that our future is an exciting and challenging one. The courageous who look and plan ahead will prosper.

Research is the insurance policy of this technological revolution. Management should take out ample research insurance against surprise, for even companies that have been handed through many capable generations may find themselves suddenly obsolete in the dramatic and swift changes that are sure to come.

ONE OF THE MOST ESSENTIAL INGREDIENTS in any management development plan is for each member of the management group to train, conscientiously and continually, one or more outstanding men within the organization to qualify as replacements for himself. The most valuable executive is one who is training somebody to be a better man than he is. Also, the executive is giving himself an education in the process. He is the kind of executive who deserves promotion and can be promoted because he has someone to take his place.

—R. C. Ingersoll (President, Borg-Warner Corp.)



■ *George S. Odiorne*
Manager, AMA Personnel Division

THERE'S PLENTY OF EVIDENCE that the white-collar worker has once again become the object of a concerted drive for union organization. The unions themselves have announced with considerable fanfare their intention of moving into the office, retail store, and laboratory with enough money and talent to gain a real foothold.

Can the unions make the grade this time, and capture a significant part of this long-coveted "market" for union membership? The white-collar worker has resisted organization throughout the history of unions; there is little evidence that his love for unionism has ripened with the years. But in order to estimate, in more specific terms, the probable success of the current drive, we must

look more closely at the relationship of white-collar workers to both unions and management, and consider some of the key issues that are involved.

WHY NOW?

Obviously, the white-collar drive has top backing in union circles. Last winter, at an AFL-CIO conference on "Problems of the White-Collar Worker," top officials made it clear that the goal of the current drive is widespread organization among two major categories of white-collar workers: those in general offices and in retail and department stores; and those in professional or technical work, or in outside sales. There are now some 26 million white-collar workers as compared with 21 million manual or factory workers, according to the Bureau of Labor Statistics. Yet the number of organized white-collar workers is only one-tenth that of factory and manual workers. Here is a challenge which the unions can no longer ignore. They have nearly saturated the available market in industrial organization—with the exception of a few stubbornly resistant areas—while the vast white-collar market is relatively untouched. And it is, moreover, a growing market, for the ratio of white-collar to blue-collar workers is on the increase.

AFL-CIO President Meany hinted at an "educational" approach when he told the Washington conference that "years of management propaganda" had to be offset if unions were to win over the loyalties of white-collar workers. Al Whitehouse of the Steelworkers further indicated that the main job at hand was to show the workers that their interests lie with the unions' interests. However, one can expect that the unions' emphasis will be upon the real grievances and sources of apprehension that already exist among white-collar workers today. These include: (1) current wage differentials between factory and office work; (2) the threat of the office workers' displacement through automation; and, growing out of this, (3) discontent over loss of professional status, recognition, or pride-in-work.

PAY DIFFERENTIALS

It is common knowledge that workers in the factory, by and large, are bringing home more bacon than their brothers in the

office. Despite some attempts on the part of management to improve the wage picture of the office worker, there has been only a slight over-all increase in white-collar salaries. Exceptions do, of course, exist. For example, the rates for starting engineers and for employed engineers have risen faster than for other professional white-collar workers. Even so, in the metropolitan labor markets you can hire a graduate engineer today for less money than you would have to pay any one of a dozen skilled tradesmen, such as patternmaker, carpenter, electrician, fitter, plasterer, bricklayer, ironworker, or mason. And in these same areas, brewery truck drivers' helpers receive higher pay than do school teachers, typists, key-punch operators, secretaries, or salesgirls!

These differentials are no secret to the white-collar worker. And while a male school teacher or retail salesman is rather unlikely to become a truck driver's helper just to gain the difference in pay, his awareness of these differentials does not make him any happier about his own position. Direct wages, however, aren't the only forms of compensation involved.

FRINGE BENEFITS

Among the advantages traditionally cited for office and white-collar positions were the extra privileges and benefits that went with the job. Not only was the work cleaner and easier, it was emphasized, but the worker enjoyed longer vacations, was paid when he was absent for illness, and received hospitalization, insurance, and pension benefits. The accompanying table shows how these benefits now stack up, as between white- and blue-collar workers, according to the most recent government figures. In vacations, the principal difference centers on the second week of vacation. In the plant, where a high percentage of the workers have five years or more experience, this difference between factory and office disappears. Office workers still have the advantage on paid holidays. However, the factory worker is clearly ahead of the game in the accident, sickness, hospital and surgical insurance he now receives. The office worker is only slightly better covered by life insurance. In pensions and sick-leave benefits, the office worker enjoys his greatest advantages.

On balance, it's clear that white-collar workers no longer have

FRINGE BENEFITS: OFFICE VS. PLANT WORKERS

BENEFIT	OFFICE WORKERS COVERED (per cent)	PLANT WORKERS COVERED (per cent)
PAID VACATION:		
One week after one year	99	99
Two weeks after one year	83	26
Two weeks after five years	99	95
PAID HOLIDAYS:		
Six days per year	97	89
Seven days per year	65	42
Eight days per year	46	19
INSURANCE:		
Life	91	89
Accidental death or dismemberment	40	45
Sickness and accident	45	65
Hospitalization	73	80
Surgical	70	76
PENSIONS	71	56
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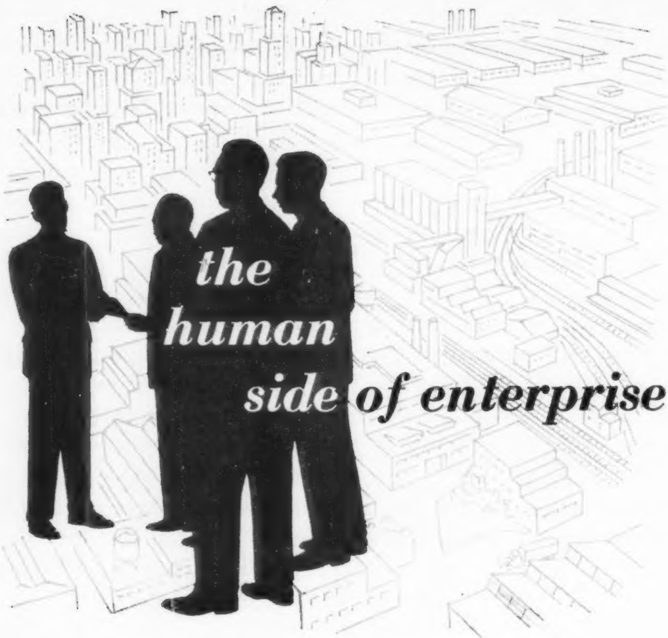
the lion's share of fringe benefits, and union propaganda will not overlook that fact. It will concentrate on the gains made by plant workers under unionism, which have caused white-collar workers to lose the distinct advantage they enjoyed in the past, and the implication will be clear that only under the union aegis can that advantage be regained.

BASIC AREAS OF RESISTANCE

Despite strong union backing and a policy line that will concentrate on areas that are admittedly vulnerable, some serious obstacles lie in the way of white-collar unionization. A few of these are described by an office organizer in a recent article published anonymously in *Harper's*. Declaring that he would be fired if his name were known, this organizer predicted that "the labor movement will not have any more than token success" in bringing white-collar workers into the union. The union policy of stressing pay

(Continued on page 83)



the human side of enterprise

■ ***Douglas Murray McGregor***
School of Industrial Management
Massachusetts Institute of Technology

IT HAS BECOME TRITE to say that industry has the fundamental know-how to utilize physical science and technology for the material benefit of mankind, and that we must now learn how to utilize the social sciences to make our human organizations truly effective.

To a degree, the social sciences today are in a position like that of the physical sciences with respect to atomic energy in the thirties. We know that past conceptions of the nature of man are inadequate and, in many ways, incorrect. We are becoming quite certain that, under proper conditions, unimagined resources of creative human energy could become available within the organizational setting.

We cannot tell industrial management how to apply this new knowledge in simple, economic ways. We know it will require years

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This article is based on an address by Dr. McGregor before the Fifth Anniversary Convocation of the M.I.T. School of Industrial Management.

of exploration, much costly development research, and a substantial amount of creative imagination on the part of management to discover how to apply this growing knowledge to the organization of human effort in industry.

MANAGEMENT'S TASK: THE CONVENTIONAL VIEW

The conventional conception of management's task in harnessing human energy to organizational requirements can be stated broadly in terms of three propositions. In order to avoid the complications introduced by a label, let us call this set of propositions "Theory X":

1. Management is responsible for organizing the elements of productive enterprise—money, materials, equipment, people—in the interest of economic ends.

2. With respect to people, this is a process of directing their efforts, motivating them, controlling their actions, modifying their behavior to fit the needs of the organization.

3. Without this active intervention by management, people would be passive—even resistant—to organizational needs. They must therefore be persuaded, rewarded, punished, controlled—their activities must be directed. This is management's task. We often sum it up by saying that management consists of getting things done through other people.

Behind this conventional theory there are several additional beliefs—less explicit, but widespread:

4. The average man is by nature indolent—he works as little as possible.

5. He lacks ambition, dislikes responsibility, prefers to be led.

6. He is inherently self-centered, indifferent to organizational needs.

7. He is by nature resistant to change.

8. He is gullible, not very bright, the ready dupe of the charlatan and the demagogue.

The human side of economic enterprise today is fashioned from propositions and beliefs such as these. Conventional organization structures and managerial policies, practices, and programs reflect these assumptions.

In accomplishing its task—with these assumptions as guides—management has conceived of a range of possibilities.

At one extreme, management can be "hard" or "strong." The methods for directing behavior involve coercion and threat (usually disguised), close supervision, tight controls over behavior. At the other extreme, management can be "soft" or "weak." The methods for directing behavior involve being permissive, satisfying people's demands, achieving harmony. Then they will be tractable, accept direction.

This range has been fairly completely explored during the past half century, and management has learned some things from the exploration. There are difficulties in the "hard" approach. Force breeds counter-forces: restriction of output, antagonism, militant unionism, subtle but effective sabotage of management objectives. This "hard" approach is especially difficult during times of full employment.

There are also difficulties in the "soft" approach. It leads frequently to the abdication of management—to harmony, perhaps, but to indifferent performance. People take advantage of the soft approach. They continually expect more, but they give less and less.

Currently, the popular theme is "firm but fair." This is an attempt to gain the advantages of both the hard and the soft approaches. It is reminiscent of Teddy Roosevelt's "speak softly and carry a big stick."

IS THE CONVENTIONAL VIEW CORRECT?

The findings which are beginning to emerge from the social sciences challenge this whole set of beliefs about man and human nature and about the task of management. The evidence is far from conclusive, certainly, but it is suggestive. It comes from the laboratory, the clinic, the schoolroom, the home, and even to a limited extent from industry itself.

The social scientist does not deny that human behavior in industrial organization today is approximately what management perceives it to be. He has, in fact, observed it and studied it fairly extensively. But he is pretty sure that this behavior is *not* a consequence of man's inherent nature. It is a consequence rather of the nature of industrial organizations, of management philosophy, policy, and practice. The conventional approach of Theory X is based on mistaken notions of what is cause and what is effect.

Perhaps the best way to indicate why the conventional approach of management is inadequate is to consider the subject of motivation.

PHYSIOLOGICAL NEEDS

Man is a wanting animal—as soon as one of his needs is satisfied, another appears in its place. This process is unending. It continues from birth to death.

Man's needs are organized in a series of levels—a hierarchy of importance. At the lowest level, but pre-eminent in importance when they are thwarted, are his *physiological needs.* Man lives for bread alone, when there is no bread. Unless the circumstances are unusual, his needs for love, for status, for recognition are inoperative when his stomach has been empty for a while. But when he eats regularly and adequately, hunger ceases to be an important motivation. The same is true of the other physiological needs of man—for rest, exercise, shelter, protection from the elements.

A satisfied need is not a motivator of behavior! This is a fact of profound significance that is regularly ignored in the conventional approach to the management of people. Consider your own need for air: Except as you are deprived of it, it has no appreciable motivating effect upon your behavior.

SAFETY NEEDS

When the physiological needs are reasonably satisfied, needs at the next higher level begin to dominate man's behavior—to motivate him. These are called *safety needs.* They are needs for protection against danger, threat, deprivation. Some people mistakenly refer to these as needs for security. However, unless man is in a dependent relationship where he fears arbitrary deprivation, he does not demand security. The need is for the "fairest possible break." When he is confident of this, he is more than willing to take risks. But when he feels threatened or dependent, his greatest need is for guarantees, for protection, for security.

The fact needs little emphasis that, since every industrial employee is in a dependent relationship, safety needs may assume considerable importance. Arbitrary management actions, behavior which arouses uncertainty with respect to continued employment or which reflects favoritism or discrimination, unpredictable administration of policy

—these can be powerful motivators of the safety needs in the employment relationship *at every level,* from worker to vice president.

SOCIAL NEEDS

When man's physiological needs are satisfied and he is no longer fearful about his physical welfare, his *social needs* become important motivators of his behavior—needs for belonging, for association, for acceptance by his fellows, for giving and receiving friendship and love.

Management knows today of the existence of these needs, but it often assumes quite wrongly that they represent a threat to the organization. Many studies have demonstrated that the tightly knit, cohesive work group may, under proper conditions, be far more effective than an equal number of separate individuals in achieving organizational goals.

Yet management, fearing group hostility to its own objectives, often goes to considerable lengths to control and direct human efforts in ways that are inimical to the natural "groupiness" of human beings. When man's social needs—and perhaps his safety needs, too—are thus thwarted, he behaves in ways which tend to defeat organizational objectives. He becomes resistant, antagonistic, uncooperative. But this behavior is a consequence, not a cause.

EGO NEEDS

Above the social needs—in the sense that they do not become motivators until lower needs are reasonably satisfied—are the needs of greatest significance to management and to man himself. They are the *egoistic needs,* and they are of two kinds:

1. Those needs that relate to one's self-esteem—needs for self-confidence, for independence, for achievement, for competence, for knowledge.

2. Those needs that relate to one's reputation—needs for status, for recognition, for appreciation, for the deserved respect of one's fellows.

Unlike the lower needs, these are rarely satisfied; man seeks indefinitely for more satisfaction of these needs once they have become important to him. But they do not appear in any significant

way until physiological, safety, and social needs are all reasonably satisfied.

The typical industrial organization offers few opportunities for the satisfaction of these egoistic needs to people at lower levels in the hierarchy. The conventional methods of organizing work, particularly in mass-production industries, give little heed to these aspects of human motivation. If the practices of scientific management were deliberately calculated to thwart these needs, they could hardly accomplish this purpose better than they do.

SELF-FULFILLMENT NEEDS

Finally—a capstone, as it were, on the hierarchy of man's needs—there are what we may call the *needs for self-fulfillment.* These are the needs for realizing one's own potentialities, for continued self-development, for being creative in the broadest sense of that term.

It is clear that the conditions of modern life give only limited opportunity for these relatively weak needs to obtain expression. The deprivation most people experience with respect to other lower-level needs diverts their energies into the struggle to satisfy *those* needs, and the needs for self-fulfillment remain dormant.

MANAGEMENT AND MOTIVATION

We recognize readily enough that a man suffering from a severe dietary deficiency is sick. The deprivation of physiological needs has behavioral consequences. The same is true—although less well recognized—of deprivation of higher-level needs. The man whose needs for safety, association, independence, or status are thwarted is sick just as surely as the man who has rickets. And his sickness will have behavioral consequences. We will be mistaken if we attribute his resultant passivity, his hostility, his refusal to accept responsibility to his inherent "human nature." These forms of behavior are *symptoms* of illness—of deprivation of his social and egoistic needs.

The man whose lower-level needs are satisfied is not motivated to satisfy those needs any longer. For practical purposes they exist no longer. Management often asks, "Why aren't people more productive? We pay good wages, provide good working conditions,

have excellent fringe benefits and steady employment. Yet people do not seem to be willing to put forth more than minimum effort."

The fact that management has provided for these physiological and safety needs has shifted the motivational emphasis to the social and perhaps to the egoistic needs. Unless there are opportunities *at work* to satisfy these higher-level needs, people will be deprived; and their behavior will reflect this deprivation. Under such conditions, if management continues to focus its attention on physiological needs, its efforts are bound to be ineffective.

People *will* make insistent demands for more money under these conditions. It becomes more important than ever to buy the material goods and services which can provide limited satisfaction of the thwarted needs. Although money has only limited value in satisfying many higher-level needs, it can become the focus of interest if it is the *only* means available.

THE CARROT-AND-STICK APPROACH

The carrot-and-stick theory of motivation (like Newtonian physical theory) works reasonably well under certain circumstances. The *means* for satisfying man's physiological and (within limits) his safety needs can be provided or withheld by management. Employment itself is such a means, and so are wages, working conditions, and benefits. By these means the individual can be controlled so long as he is struggling for subsistence.

But the carrot-and-stick theory does not work at all once man has reached an adequate subsistence level and is motivated primarily by higher needs. Management cannot provide a man with self-respect, or with the respect of his fellows, or with the satisfaction of needs for self-fulfillment. It can create such conditions that he is encouraged and enabled to seek such satisfactions for *himself*, or it can thwart him by failing to create those conditions.

But this creation of conditions is not "control." It is not a good device for directing behavior. And so management finds itself in an odd position. The high standard of living created by our modern technological know-how provides quite adequately for the satisfaction of physiological and safety needs. The only significant exception is where management practices have not created confidence

(Continued on page 88)

Why Businessmen Steer Clear of Washington

IN THE FORWARD echelons of government, including Cabinet and sub-Cabinet positions, there are 750 offices of exceptional political and executive responsibility. These jobs deal with continuing and long-range problems—national defense, foreign aid, atomic energy. They demand men of high talent, ingenuity, and determination to foster and administer the programs by which the Administration stands or falls.

Yet it is safe to say that, twelve months hence, 250 of these highest offices will probably be in new, and ofttimes inexperienced, hands.

The offices of principal concern are those on what is sometimes called the policy-executive level, lying between the career civil service and the President. The men who fill them are Cabinet Secretaries and agency heads, deputy and assistant secretaries, directors, managers, legal counsel, and some immediate aides.

There are both obvious and subtle reasons why it is so hard right now to get and keep good men in these high positions.

Reduced income. For the men wanted most, "coming to Washington" means taking a cut in income, and this involves more than the immediate loss of pay. A rising executive might lose his place on the escalator that ten years from now would land him in the front office, or near it. In the end, the promise and security of staying at home frequently outweighs the "honor and opportunity" of public service in Washington.

Moreover, men in Washington who have made the "sacrifice" complain that on a reduced salary they must now maintain two separate residences. And to their dismay, the cost of living and of social obligations in Washington is high.

Conflict of interests. So-called "conflict-of-interest" restrictions are based on half a dozen statutes, which in some cases provide criminal penalties for mixing public and personal welfare.

To avoid conflict of interests, Defense Secretary McElroy was obliged by Senators confirming his nomination to resign his directorships of the General Electric Company and Chrysler Corporation, both of which, presumably, might be expected to do business with the Defense Department.

Despite the necessity of keeping the hands on all government controls clean, one effect of conflict-of-interest laws is to encourage untold numbers of talented and otherwise willing prospects to take to the hills when they get a call from Washington. This is especially true in an Administration that makes a point of leaning heavily on business and in-

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dustry for its lieutenants. For, it is asked, what man of stature in business or industry does not pose some problem of conflicting interests when he arrives in Washington?

President Eisenhower, noting the trouble some of his nominees were having in the Senate, told a recent news conference that the statutes reached into such details of a man's life and business "that, if you want to get a younger effective executive from out of business to do one of the jobs here, you are practically ruining his business career and future."

Bureaucratic frustration. Many able men are not accustomed either to the push and haul of political enterprise or to the protocol of Washington bureaudom, and soon tire of "operating in slow motion."

In private industry, an executive may draw up a plan of action before lunch and have it under way by the cocktail hour. But in Washington plans must be prepared in time-consuming, martini-less conferences, elaborated upon in dry interoffice memos, passed to the lawyers for advice, then revised and resubmitted until they are finally approved all the way to the top. And when a plan is wrapped up with the full Executive blessing, some politician on Capitol Hill may hear about it and order a "thorough investigation."

These are some of the reasons that keep good men out of Washington. What can be done to improve the climate of government service?

First, there is general agreement that the great difference between potential earnings outside the government and in it should be reduced. There are strong advocates for boosting the pay of assistant secretaries from the present $15,000 level to $25,000, and increasing other policy-executive salaries accordingly. Even so marked an improvement would not make the government pay scale "attractive" to outsiders thinking only in terms of financial return. It would, however, make Washington more livable.

Second, those giving the matter serious thought believe the government itself would benefit if its loyalty-security checks, and, above all, the conflict-of-interest laws were applied with more dignity and more respect for the people concerned. Whether a man should be judged on the basis of the stocks he holds or the pensions he may draw is beginning to be questioned.

It has been suggested that, as a practical measure, it might be sufficient for a nominee for public office to declare his stock and security holdings openly. Then he would keep Congress and the public informed of any changes he made in his list while holding office This publicity, it is argued, would be more than enough to keep the man away from temptation of wrongdoing, and it would not cost him the financial sacrifice of an outright and abrupt sale of his holdings.

Third, the public must demonstrate a warmer regard for Washington. Most of those closest to the brainpower problem believe a change of public attitude to be the most fundamental need of all.

There is a mounting plea that employers, who may have good reason to "hate bureaucrats," never-

theless encourage their best talent to take a turn at shouldering "bureaucratic" responsibilities. Someone should persuade them that high-placed government service is not only a responsibility, but also a respectable opportunity for experience that can bring ultimate benefits to the company. So persuaded, employers would encourage leaves of absence for Washington service by guaranteeing that those who accept it would not lose advancement opportunities back home.

Fortunately, there are signs of progress. A five-member Career Executive Committee, which the Hoover Commission urged, has been set up to seek proposals for bringing in more and better men. A number of national business and professional organizations have set up committees to study the problem, and some have arranged forums to acquaint the public with what is at stake. More and more colleges are recognizing the problem by introducing it into their political science courses, and this may bear important fruit in coming generations.

Much more needs to be done on a broader scale if government service at its highest is, at long last, to become "nonruinous"—indeed, feasible, honorable, and something to be desired and sought. But there is just a hope that the ball has started to roll.

■ *Jay Walz.*
THE NEW YORK TIMES MAGAZINE, *October 13, 1957, p. 24:3.*

Can We Stand More Leisure?

WILL THE COMING era of leisure bring an Elysium of culture or a hell of mass boredom? By far the most enthusiastic prophets of the New Day are to be found in the world of trade and the popular magazines, the most skeptical in the ranks of the sociologists.

Academic observers of social change have reservations, ranging from doubts to warnings of doom. "As we were once unprepared for the factory," David Riesman and Warner Bloomberg, Jr., ask mildly enough, "are we now at least as unprepared for the 'life of Riley' . . . ?" Professor Sumner Slichter of Harvard has no doubt of the answer: "Most men are not prepared to make good use of large and sudden additions to their leisure." And William Russell, president emeritus of Teachers College, Columbia, has sounded the grim note that "Too much leisure with too much money has been the dread of societies across the ages. That is when nations cave in from within. That is when they fall."

It seems fairly safe to say that, unless the transition to the new technology is wretchedly bungled, millions of Americans now working can expect sooner or later to have a

great deal of paid time on their hands and relatively little background for turning it into leisure as opposed to mere idleness—that is, for making their nonworking hours give content to their lives. The prospect raises a number of questions that press for wider attention than they have yet had.

Who, for example, will be most affected by the imminent reduction in work, and what difference will it make? In so far as technological change is used to reduce hours rather than cut down on personnel, it will be the plant worker and the office clerk who acquire the spare time, while the professional man, the executive, the merchant, and those engaged in the services—entertainment, education, travel, and so forth—should find themselves busier than ever.

Ultimately, a society in which the low and lower-middle income groups have the leisure while the professional, executive, and entrepreneur classes work the long week would stand the classic social pyramid on its apex, with consequences correspondingly novel. It may be assumed, for example, that at least some of the unskilled and semiskilled would turn to politics and government, at least on the local level, as leisure classes have done before.

Culturally, the problem is more acute. Will the top-heavy inverted pyramid make for an even more standardized civilization than we already have, with popular reading, art, and music as dependent on the taste of one's friends and neighbors as the choice of car or clothes?

Most of the talk about further reduction of work is saturated with conventional habits of thinking about time. The twenty-four hour week generally suggests a six-hour day, Monday through Thursday, with a three-day weekend to follow. But there is no need for such a pattern to be universal, and every reason for it not to be. If people are to work from nine to four, then travel an hour to their outlying homes (presumably a three-day weekend would give further impetus to the flight to suburbia), the new-found spare time would turn out to be hardly more than an extra hour or so to mulch the garden or watch television. The weekend would be long enough to make the highways even more murderous than they are and not long enough to encourage trips of consequence. The gift of extra time would be dribbled away, with little to show for it.

The more hopeful possibility is that, given a minimum of imagination on the part of both labor and management, these outmoded rigidities will rapidly melt away, opening up completely new vistas. To take an extreme case, an employee might stick to the seven-hour day, five days a week, but work only eight months in the year. Given four months of his own with pay, he might elect to travel, he might take extension courses provided for the purpose in adult high schools and colleges, he might fill that seldom observed doctor's prescription to go away for his health, or, through some craft or art, he might satisfy a creative urge that he could never satisfy on the job.

No human arrangement being a

guarantee against human weakness, it is just as possible, of course, that he would kick the months away in restless boredom, drop his continuing income at the nearest track, or take up serious drinking. But the chances are that those who found such large doses of time hard to take would not repeat the experiment. They could elect, instead, to work the shorter day throughout the year, or a long day and a shorter week, or any other arrangement that suited their purposes and types of occupation.

The advantages of this multiple pattern are several. With a staggering of hours, productive equipment could be kept going around the clock—a necessary arrangement with expensive automated machinery—and with the elimination of uniform schedules, the wear and tear of the rush hour might be reduced to tolerable proportions. Except for Sundays and holidays, there need be no uniformity about days off. Monday and Tuesday should prove as satisfactory as Friday and Saturday, and the spread would allow a reduction in weekend jams, shopping crowds, and highway casualties.

For all the comforts of home and road, an uncertainty, an edgy tentativeness, seems to blot up much of the free time already at our disposal. It would seem, then, that a country which uniquely includes the "pursuit of happiness" in its Declaration of Independence has a vast job of reorienting to do, and one that has hardly been touched. A whole society has to be freed of the stern belief in work for salvation's sake, the emphasis of its education shifted from training for a livelihood to the Aristotelian view that "the aim of education is the wise use of leisure."

It will take all the educational facilities of the country to create the new climate, and here again, I think, there is need to break loose from old concepts. With time available throughout a man's existence, why should education, even in its formal sense, be confined to the first twenty years or so? It might be well to let some restless youngsters get into the working force at fifteen if they wish, rather than have them turn to juvenile delinquency out of boredom, and then bring them back to school at twenty-five, when they are mature enough to want to learn. Others might proceed pretty much along present lines, and still others could return to school intermittently over the years, either for the purpose of changing their occupations or simply to expand their horizons.

The need is for more than adult classes or extension courses such as we now have. It is for a fresh concept altogether—a national interest in continuous education, through a combination of formal institutions, specialized television, discussion groups like the Great Books, and perhaps above all, the ancient method of person-to-person instruction. If leisure makes it possible for more and more people to learn, it can also provide more and more people to teach—people whose primary job may be in a bank or shop but who, having acquired proficiency in a language or an art, find it pleasant and profitable to teach it to others.

■ *Robert Bendiner.* THE REPORTER, *August 8, 1957, p. 10:5.*

Ads You'll Never See

RUMORS about a startling kind of "invisible" advertising that sells products while leaving buyers unaware that they're getting a sales pitch were confirmed recently when a new company (Subliminal Projection Co., Inc.) unveiled its process for projecting invisible commercials on TV and movie screens.

The aim of this type of advertising is to pitch commercials below the level of a buyer's conscious attention, in order to influence him to buy while keeping him unaware he's being influenced. Subliminal Projection Co.'s method makes use of a projector that flashes commercials on a movie or TV screen while a program is actually in progress. The commercials, one every five seconds, flash on and off so quickly that the viewer is unaware he's seen them—but the thought they stimulate grows more and more mouth-watering.

Motivational researcher James M. Vicary, who developed the process, cites results of his tests to convince skeptics. In a New Jersey movie theater, subliminal messages urging patrons to eat popcorn and drink a soft drink resulted, he says, in an average sales increase of 57.5 per cent for popcorn, 18.8 per cent for the beverage.

There are, however, an immense number of technical difficulties connected with the process. And opposition to subliminal advertising is expected fom those who will feel that this is a further invasion of their shrinking areas of privacy. But proponents argue that it will be a boon to viewers, permitting fewer interruptions for commercials.

—*Business Week* 9/21/57

Severance-Pay Provisions Fail to Keep Pace

SEVERANCE-PAY PROVISIONS are found far less often in union contracts than are clauses providing pensions, insurance, paid vacations, holidays, and similar fringe benefits. In fact, of nearly 1,700 major agreements studied by the Bureau of Labor Statistics in late 1955 and early 1956, only 266 contracts said anything about dismissal pay. These contracts covered 1.7 million employees, about a fourth of the total number of employees covered by the contracts studied. Moreover, the rate of growth of severance-pay benefits has been fairly slow in comparison with the rapid rise of pension and health and welfare plans, according to the BLS. The study did not include supplemental unemployment benefits or workers' equities in savings, profit-sharing or pension plans.

For all industries covered in the study, average severance pay tended to be a week's pay for each year of service through the fifteenth, with more liberal ratios at the 20- and 25-year marks. The average amount after 25 years was 51 weeks' pay in nonmanufacturing industries, just about three times the average of 16.8 weeks in manufacturing industries. Liberal practices in the communications industry are responsible for much of this sharp difference.

—*Labor Policy and Practice* (The Bureau of National Affairs, Inc., Washington 7, D.C.) No. 387

Reading the Consumer's Mind

WHICH END should be up in a pack of filter cigarettes? What do you like least about napkins? Do you object to liquor being served on airplanes?

With these questions and hundreds of others, the patient American consumer in recent years has become the most thoroughly poked and prodded non-laboratory animal in the world.

The object of this nationwide third degree is to give businessmen a better idea of what, where, and how big their markets are, what new products to make, what to emphasize in advertising, and how to make innumerable other important business decisions. It all goes under the name of market research, and no self-respecting company would be caught dead without it.

Socony Mobil, for instance, says surveys are "quite fundamental" to its operations. Lever Bros. won't even consider bringing out a new product without first making an exhaustive survey. ("The investment is huge, you can't afford to gamble," says one official.) Nor would General Electric, which has more than 80 market-research groups, composed of statisticians and other specialists, scattered across the country. Procter & Gamble keeps 100 interviewers in the field feeding consumer attitudes back to a 200-man headquarters staff.

Some survey findings seem to be of somewhat limited value. One study, for example, turned up the average shoe size of Philadelphia policemen (9½D). Another discovered the average amount spent at roadside milk bars by people riding in Cadillacs (9.3 cents).

But often corporate fortunes ride on the results of market research. Recently, Elmo Roper and Associates interviewed 10,000 smokers for Philip Morris before the cigarette company revamped its Marlboro brand. Among the findings which helped make Marlboro a top seller: Women wanted a package which would prevent the cigarettes from picking up perfume odors in the purse (one reason for the flip-top box); men had always considered Marlboro something of a woman's cigarette (hence the virile, tattooed man in current Marlboro ads).

And some day soon, market researchers will earn another gold star —or take a trip to the foot of the class—when sales results on Ford's new Edsel roll in. Ford tried to take as much of the risk as possible out of its $250 million investment by extensive surveys dating back to 1948, with $100,000 going into "depth studies" alone.

These companies, and hundreds of others like them, have helped make market research a burgeoning business, with an estimated 250 firms in the field and names like Gallup, Roper, Politz, Crossley, and Nielsen already household words. On top of these, numerous advertising agencies and manufacturers have their own market-research departments.

The future seems unlimited. As

competition daily grows rougher, businessmen are struggling to keep up profit margins by bringing out new products, changing old ones, redesigning packages, switching advertising campaigns, searching for new outlets, and streamlining distribution systems. For all of these programs, and more too, the market researcher has a service to offer.

For all its fine tools, the industry can't say exactly how much is spent on market research. One frequently mentioned figure in the wide range of estimates is $250 million a year.

For their money, clients get surveys which take anywhere from a few days to a year or more to complete; two to three months is a fairly typical period. Results will be based on anything from a handful of interviews to 10,000. One readership survey conducted by Alfred Politz Research was based on 35,000 interviews. Trendex, a TV-program rater, conducts six million telephone interviews a year.

Whatever the cost in time and money, there are critics who say it is too much. They point to occasionally disastrous political polls, and argue that the field is filled with phonies and false figures. They're particularly skeptical about the relatively new technique of motivation research which uses the tools of psychiatry to find out why people really buy what they do, not merely why they say they buy.

Market researchers readily concede they aren't perfect. While a few have embraced the disputed motivation studies, most approach the subject with reservations and some blast it outright as "pseudo science" and a "Madison Avenue fad" (the motivationists, in turn, refer to critics as mere "nose counters").

But even among the straight nose counters, there are some who can't count straight. Part of the trouble, says Lester Frankel, a Politz vice president, is "in the nature of the product. We're selling an intangible." Anyone who owns a pencil and pad can make a survey, of sorts, and call himself a market researcher.

Actually, the top-rated market specialists have been startlingly accurate. Roper, for instance, forecasts the TV-set market for Radio Corp. of America. In the past nine years, his surveys have come within two percentage points of actual sales and how that total broke down among the four leading manufacturers. When the government orders a survey, says Archibald Crossley, president of Crossley, S-D Surveys, Inc., it requires that the findings be not more than five percentage points off. "We usually hit within three points."

How do these firms go about getting such results?

Interviewing is only part, though an important one, of any market-research operation. Typically, it starts with a researcher-client huddle over the problem—redesigning a package, for example. After thrashing out questions like the need for a new package, what the client wants to do with it, and what market he's thinking of, the group may work up ten, twenty, or more tentative designs and questions to go along with them. The packages are then "pretested" on a limited basis to weed out the obvious duds, leaving perhaps four or five. Then the interviewers go to work:

Is the color appealing? Is the label legible? Has the package got the right "feel?" Their findings are assembled, digested, and analyzed. The report that goes to the client may contain specific recommendations. Some researchers, however, make it a practice of only delivering the facts, and letting the client draw his own conclusions. "Market research will never replace executive responsibility," says one firm.

Market-research costs vary widely —from as low as $100 to $100,000 and higher for a single survey. Here is what one company, Chicago's Leo Shapiro & Associates, charges for interviews:

- Random street interviews—20 to 30 cents apiece.
- By telephone—$1.
- Quota samples (respondents are chosen according to income, age, or other characteristics)—$2 to $4.
- "Depth" interviews—$10 to $50.

Recently, Shapiro conducted depth studies for Puck, the Comic Weekly. In this project, interviewers had as many as a half-dozen sessions with respondents, asking dead-pan questions about Dagwood and the Katzenjammer Kids. Cost per head: up to $300.

■ NEWSWEEK,
July 15, 1957,
p. 81:3.

Rating Executives: A Look at Company Practices

AT THE HEART of any management development program is the system used for appraising a company's executives. Proper appraisal can indicate who is ready for promotion, who still needs development, what departments need more second-string executives ready to move up when key positions are vacated, and whether the company has a continuing supply of able men rising through the managerial ranks. Moreover, a well-conceived appraisal system can pinpoint the areas in which individual executives need improvement.

A recent survey of 47 companies with well-established appraisal programs reveals some interesting facts on methods of handling the rating process.

Two general types of appraisal forms are used by the responding companies: (1) those evaluating general factors, and (2) those evaluating specific traits. In the first type, the rater is asked to consider the executive in terms of several broad categories such as performance, ability, and potential; he writes a brief comment on each of these. There may also be a list of specific questions which can usually be answered by checking "yes" or "no." However, these questions are usually of secondary interest.

Although forms evaluating general factors have been considered a rather extreme variation, the fact that 10 of the 47 responding companies employ this method indicates much wider use than has been supposed.

Two of the ten companies reported that they had turned to the general factors method after having first used the specific-trait evaluation. One company made an exhaustive study of its appraisal program and decided to change to one evaluating three general factors, with specific questions being asked where special information was wanted.

Of the ten companies in this group, five rate executives on three general factors. Two consider only two factors, and the remaining three are split among one, four and five factors.

Thirty-seven of the companies use appraisal forms that evaluate specific traits. Among the variations are the number of traits to be rated, and the type of rating scales used.

To make sure of adequate coverage, some companies may use as many traits as possible. However, the large number of closely related traits may confuse the rater when he tries to distinguish between them, and the seemingly endless list may try his patience. Another argument against long lists of traits is that since executive traits are often complex and abstract, it takes far more time and thought to make a judgment on each trait than it might in employee rating.

Thus, a compromise must be made which will provide enough traits to cover all important aspects of executive performance and at the same time keep the number within working limits for the rater. The survey indicates that 12 is the preferred number of traits. Seven of the 37 company forms listed that number. Three companies rate on only six traits, and three each on 8, 9, 15, and 17. Two companies each rate on 3, 13, and 14 traits. The remaining nine companies range widely between seven and twenty-six traits.

A second major problem of designing an appraisal form is choosing a method of rating executive traits. Among the 37 companies rating specific traits, three principal types are used: (1) the continuous-rating scale, (2) the graduated-scale method, and (3) the essay-type answer. The graduated-scale method is by far the most commonly used, being employed by 32 companies. Three companies use the essay-type ratings, and two the continuous-scale method. It should be noted that three firms using the graduated scale also make provision for additional comments concerning each trait, such as specific examples to substantiate the rating value given. Another 19 companies ask for general remarks on any points that would help in understanding the performance or abilities of the executive being evaluated.

Twelve companies also included the questions: (1) "What is his best trait?" and (2) "What is his weakest trait?"

Of the 40 companies which reported on who makes their executive appraisals, sixteen give sole responsibility to the ratee's supervisor. In five companies the supervisor and his superior do the job; while in three others the supervisor is aided by his superior and a third person. When the supervisor alone does the rating, it should be noted, in many instances his appraisals are reviewed by someone else—usually his superior, sometimes a member of the executive-development staff and, in one instance, a committee.

Fifteen companies said that a committee makes their appraisals. The committee usually consists of the supervisor, his superior, and another person of the same rank as the supervisor. However, the composition of the committee varies considerably. In one case, it is composed of the ratee's peers.

Recognizing the importance to a development program of an executive's knowledge of his own strengths and weaknesses, almost all companies let their executives know the results of their appraisals. Out of 26 firms reporting on this question, only one does not follow this policy.

■ *Joseph A. Litterer.* PERSONNEL JOURNAL, *July-August, 1957, p. 97:4.*

Game Laws for Talent Hunters

A SET OF GAME LAWS has been adopted for some of the nation's most determined hunters—the personnel recruiters whose job it is to restock their companies with fresh young talent from colleges and universities.

The competition has grown so fierce that in Detroit the Midwest College Placement Association has put out a "statement of principles and practices of college recruiting." It calls for an end to such practices as slipping bright students extra expense money for a trip to look over the home office, prying out another company's salary offer and raising it, and pressure tactics exerted by old grads without the school's knowledge.

The statement was approved by some 100 college placement officials from 11 midwestern states along with about 400 company recruiters. It had previously received the blessing of the United States Chamber of Commerce and eight other regional college placement associations.

According to Merland A. Kopka, director of placement services at Wayne State University in Detroit, the code of ethics was adopted partly to ease confusion created on campuses by the talent finders, and because the universities and companies fear they are creating a bunch of "spoiled kids" with the rosy-sounding pictures that some recruiters paint.

Among the practices that the statement outlaws for employers are: (1) paying a third party, such as the placement director, to influence a student to take a job; (2) interfering with a student's school work to take him on a tour of company facilities; (3) pressuring students by not giving them ample time to decide whether to take a job; and (4) making offers to students and later withdrawing them.

Students also are given some rules under the code. Some students have been spending the summers taking free rides around the country to visit companies offering jobs, when they actually had no intention of accepting a job. The code calls for such offers to be cleared with the placement offices and payments to students restricted to actual expenses, prorated among companies if several visits are made on the same trip.

—George Melloan in *The Wall Street Journal* 9/12/57

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How to Save Money by Giving It Away

As U.S. INCOMES—and the taxes paid on them—have rapidly increased, so have the ways in which embattled taxpayers hold down the government's take. Every businessman knows about such old stand-bys as the farm that runs at a tax-deductible loss, the "business" expense for a yacht, a car, a trip, even a country-club membership. But comparatively few are aware of another way of saving: the wise use of trusts and foundations, which can be set up for either charity or personal projects, and often reward the taxpayer with huge savings. Until recently only taxpayers in the 80 per cent tax bracket ($500,000 or more annual taxable income on a joint return) took full advantage of trusts. Now, thousands upon thousands of smaller taxpayers in the 22 per cent ($10,000 annually) and up brackets are learning that they, too, can reap impressive savings. And the number is growing so fast that Congress is currently investigating the whole business of tax deductions to see whether the laws should be tightened.

Starting with a basic provision in the tax laws of 1954, which allows any taxpayer to donate up to 30 per cent of his income to certain charities and count the gift as a tax deduction, smart tax lawyers have refined an endless series of methods to help clients reduce tax payments, or in some cases even make money.

There are dozens of perfectly legal ways to save money by giving it away. One of the fastest growing is the short-term or temporary trust for both charitable and personal use. Theoretically, upper-bracket taxpayers can use it to cut their taxes from 87 per cent to as little as 20 per cent; it also works effectively for people with incomes as small as $10,000 annually. The wise taxpayer merely turns over part of his investments with their income to his child for his education, or to an aged relative for support for a minimum of ten years (and one day) or the lifetime of the beneficiary, whichever is shorter. While the trust beneficiary must pay normal income taxes on the trust income, his tax bracket is generally much lower than that of the donor, in effect drastically reducing the family's overall tax. One San Francisco financier cut the taxes on a big slice of his income from 50 per cent to 20 per cent by setting up nine separate trusts for the future education of his three children, reports that the savings "are so fantastic I don't even want to talk about them."

Temporary trusts can also be used to cut taxes by giving money to charity, and are especially valuable for people with fluctuating incomes who want to lower their tax bracket in good years but regain the funds at a later date. The taxpayer can set up a trust for a church, educational organization, or hospital for as short a period as two years, deduct the income from his return, then take back both his securities and the income

at the end of the trust period. The benefits are so big that organizations have been formed in Cleveland, New York, Chicago and San Francisco for the specific purpose of helping taxpayers save money. The San Francisco Foundation alone held 36 trusts last year with a book value of well over $1,000,000 and issued grants totaling $268,628 to charities.

Businessmen are also learning to use trusts and foundations to reduce the standard 25 per cent capital-gains tax on the sale of securities or property. Stockholders who want to diversify long-term holdings, but hesitate because of heavy capital-gains taxes, can donate the stock to a tax-free trust on condition that it will be sold and reinvested with the income going to the donor for life.

Actually, there is no limit to the uses of trusts and charitable donations to cut taxes. One Chicago executive in the $100,000 bracket, who wanted to spread his tax credit over a period of years, donated his $25,000 yacht to a university in two sections, half one year, half the next, got a $12,500 deduction each year. But tax lawyers warn that anyone who hopes to save money by giving it away had better read all the fine print in the law, since the Internal Revenue Service rates each scheme on its individual merits.

While the tax loss to the U.S. government is still comparatively small, Congress fears that the idea may soon get out of hand. But though a few obviously unintended benefits may be knocked out, it will be difficult to tighten the tax laws much without seriously cutting the flow of funds to charities. The great problem for Congress: taxes have reached the point where it is worth almost any taxpayer's time and trouble to avoid the full weight of the law.

■ Time,
June 17, 1957,
p. 88:1.

What's Ahead for Employee Security?

If present trends in corporate benefits continue, the ordinary man of 1965 will have no worries about providing for his future. He will spend his money for the necessities and comforts of day-to-day living, and be largely dependent on his company for future security. A look at the extent and kinds of benefits now provided by major U.S. companies backs up this prediction.

1. *Accident and health insurance.* In most company plans, all employees are covered by hospitalization and medical-surgical insurance. For an ordinary illness, most or all expenses are paid for by this insurance.

2. *Major medical insurance.* This relatively new kind of coverage is now being considered by many large companies. Unlike the restricted plan, it pays the medical expenses for lengthy illness. Some policies provide for as much as 80 per cent of

expenses up to $10,000 or $15,000 in any one year, with a requirement that the first $100 be paid by the insured. In addition, some companies already have policies which pay all expenses in the event of specified illnesses, such as polio, diphtheria, scarlet fever, etc.

3. *Permanent disability benefits.* If tomorrow's employee becomes permanently disabled he won't have to worry about being a burden on his family or the government. All of the pension benefits which have accrued under his company's retirement plan will be paid to him as long as he lives. Moreover, his reduced income will be supplemented by disability benefits under Social Security.

4. *Layoff benefits.* In a few years, the average employee need not worry about being laid off through no fault of his own. Already, companies in the automotive, can, glass, steel and other industries have met labor's demands for supplemental unemployment benefits. These benefits supplement state unemployment benefits, so that the laid-off employee can provide food and shelter for his family until business picks up or another industry seeks his services.

5. *Death benefits.* The relatively low cost of group life insurance is enabling companies to provide increased death benefits for employees. Some firms already provide insurance equal to three years' pay with a maximum of $100,000. Many of these policies include a permanent disability provision which pays out the face amount over a period of years.

Moreover, many companies continue some death benefits after retirement. One typical plan provides a continuation of the entire coverage for one year after retirement; it is reduced 10 per cent a year for five years and then frozen at the 50 per cent level. Other companies pay the widow one year's pension at her husband's death.

In another variation, an employee's widow receives his full compensation for the first year after his death.

Still another type of death benefit, which may be more prevalent in the future, provides that half of the employee's accumulated pension benefits are to be paid to his widow for as long as she lives in the event that he dies between 55 and 65. So that the costs to the company will not be prohibitive, the plan calls for actuarial reduction if the widow is more than five years younger than her husband.

6. *Retirement benefits.* An employee with a wife his own age may expect to receive retirement allowances close to 75 per cent of his last wage. For example, if he earned $350 a month, he might receive a pension from the company of $100 a month, plus $162.75 from Social Security, for a total of $262.75. In addition, the company may have shared its profits with him, through a thrift or profit-sharing plan, so that at retirement he will receive a lump sum either in cash, company stock, or government bonds.

Savings, thrift, or stock-purchase plans are being adopted in a wide variety of industries. Whether this type of plan will be restricted to salaried employees is an unsettled

question. Recently offered to hourly employees by automotive companies, this type of plan was rejected by the unions, who preferred noncontributory supplemental unemployment benefit plans.

7. *Stock purchase and options.* For the supervisory employee, more corporations will install stock-purchase or stock-option plans. If stocks continue to increase in value, the supervisory employee will thus be able to accumulate savings for himself and his family.

In the big trend toward security, the self-employed—the sole proprietor, the accountant, the stock broker, the storekeeper—may be the "forgotten men." With high taxes, they have little chance to accumulate savings for the future.

However, there are bills pending in Congress which propose that such individuals be permitted to contribute a percentage of their gross income into a trust or insured fund. A provision in the proposed bills—the Jenkins-Keogh bills (H.R. 9 & 10)—would allow the self-employed to deduct their contributions from gross income for tax purposes.

The steady expansion of employee benefits may be slowed down by one important factor: the costs of these fringes may be prohibitive for some companies. Already many corporations are contributing in excess of 30 per cent of total payroll for employee benefits. What is needed to put the final feathers on the corporate wing that will shelter the employee from the vicissitudes of life is a plan which will guarantee management that funds will be available to foot the bill.

■ *Fred P. McKenzie.*
THE JOURNAL OF COMMERCE,
June 14, 1957, p. 6:2.

Tee and Sympathy

IN 1915 a lady named Sarah Norcliffe Cleghorn published a poem of protest that clutched at the heart of every right-thinking American. It ran:

The golf links lie so near the mill
That almost every day
The laboring children can look out
And watch the men at play.

Now in 1957 comes a report from the National Golf Foundation that the golf links do indeed lie close to the mills. Some 87, in fact, were built by U.S. corporations for the use of their employees at nominal fees (rarely exceeding $1.50 a month). Altogether, the N.G.F. reports, there are some 22,500 business organizations that include golf in their company-supported recreation programs, and industrial golfers now outnumber private country-club players by a good margin. Often in the cool of the evening, no doubt, late-working executives can look out the window and watch the men at play.

—*Fortune* 9/57

Checking the Payoff from Customer Inquiries

HOW GOOD IS YOUR SYSTEM for keeping track of inquiries and the sales that result from them? A recent survey of 143 companies selling the industrial market spotlights a number of typical loopholes that need patching. Although nine out of ten responding companies keep inquiry records, and almost as many use a key or code to identify the inquiry source, only 45 per cent try to find out the origin of inquiries without key numbers. Half the companies confess that urgent inquiries—the ones that usually mean immediate business—often bypass the inquiry-recording system altogether and go directly to the sales department.

A mere 23 per cent of respondents record inquiries received by branch offices or distributors. This deficiency is becoming increasingly serious because of the trend toward listing local supply or information sources in ads. An even smaller number of firms—17 per cent—include telephone inquiries in their recording systems, this despite the results of a recent survey of industrial buying influences showing that 26 per cent of buying inquiries are made over the telephone.

Only about half of the inquiry-recorders follow up inquiries to find out which ones turned into actual orders. Of those who do follow up inquiries, only half record the dollar volume of resulting orders.

—Arthur H. Dix in *Printers' Ink* 8/30/57

"Look, fatso, if you want something, make it snappy. I'm due in our company public-relations course in five minutes."

—Reprinted by permission of Vanguard Press, Inc.
from *Louder and Funnier*, by Burr Shafer.
Copyright by Burr Shafer.

Corporate Directors Take a Hand in Advertising

"In our board meetings, we examine advertising copy, and sometimes even Nielsen and Trendex ratings. We analyze the relations between the company and its advertising agency. In fact, our board gets a very detailed presentation from the company advertising vice president on next year's plans, with breakdowns by media, product, and sales region. When it comes to advertising, I'm both a watchdog for the stockholders I represent and a 'sounding board' for the management I helped to elect."

This is how a Wall Street banker, one of 16 directors of a major cosmetics company which reputedly spends $12,000,000 a year on advertising, describes a significant business trend today: the growing interest among corporate directors in their company advertising programs. To be sure, this particular banker-director's experience may be extreme. But it illustrates the big change from the days when boards of directors were regarded as financial jugglers or debating societies which rubber-stamped company budgets, picked up their $20 goldpieces, and went home.

One of the factors which make advertising such a big board room topic these days is, of course, the growing size of ad budgets. Once a minor item, the ad budget is as important to corporate directors today as new plant sites or a diversification program. In fact, one out of ten of the nation's biggest advertisers today spends a dollar on advertising for every dollar of net profit.

This fact is not lost on company stockholders, who (at least in theory) elect the corporate directors who select the management which spends the ad dollars. Advertising strategy and appropriations figured in open discussions in at least four annual stockholder meetings this spring: those of the Chase Manhattan Bank, Revlon, Socony and U.S. Steel.

"When we review the advertising budget," says Goldman, Sachs' partner Sidney J. Weinberg, who sits on the boards of such corporations as Ford Motor Co., General Foods, General Electric, and National Dairy, "we want to know more than just what the company plans to do. We want to know what the company will get back."

Corporate directors, too, are refining their questions concerning advertising to fit the newer, more sophisticated view that advertising is one of the several elements in a total marketing program. "We want to know," says the banker who sits on the cosmetic company's board, "how much the total marketing program will cost for launching a new product. Should more go into packaging? Is the price right? Is the advertising properly geared to our distribution pattern?"

At Bristol-Myers, for example, the total marketing strategy for each product is worked out well in advance of the board meetings. Advertising expenditures, pricing and packaging, fitted carefully to sales goals, are first reviewed by a management committee comprising the division's president, sales vice president, market research vice president, product development vice president, treasurer, and advertising vice-president. This committee acts as a kind of working board (one of its members is on the Bristol-Myers board of directors); it screens ad plans before they get broad consideration by the full board.

Moreover, the composition of the Bristol-Myers board underscores another important trend: corporate directors show more interest in advertising programs simply because there are more company advertising and sales executives on corporate boards today. A survey of the nation's 100 biggest advertisers reveals at least 38 with boards of directors listing either one marketing vice president (with both advertising and sales executives reporting to him), the director of sales and advertising, or the advertising vice president.

A number of factors complicate the working relationship between the board and executive management in regard to advertising programs. For one thing, a board comprised mainly of outside directors seems to function less as a maker of advertising policy than as a watchdog over it, contributing, as one director puts it, "fresh points of view." Inside management-directors, on the other hand, literally frame advertising policy because they are intimately involved with the minute problems of daily operations. At least one out of every six of the larger U.S. corporations, says the National Industrial Conference Board, has an "inside" board.

Perhaps one of the best examples of a corporation where the directors literally direct over-all advertising policy is Standard Oil Co. (New Jersey). All full-time employees of the company, Jersey Standard's 14 directors meet once a week. Each director has what are known as "contact" responsibilities—that is, he is assigned areas of specific interest such as public relations (two directors), producing, refining, marketing, etc. The two "contact" directors for PR make policy for Jersey's institutional ad campaign.

The closeness of advertising to board room deliberation is even more pronounced at Jersey Standard's marketing affiliate, Esso Standard Oil Co., which spends some $13,000,000 of the total $14,000,000 Jersey puts into advertising each year. Generally, this is the annual pattern:

First, Esso advertising and sales promotion manager Robert M. Gray huddles with McCann-Erickson over all details of the Esso ad strategy, which is then integrated with Esso's total marketing plan at conferences with general marketing manager J. A. Miller.

When the whole package is ready, it goes before Esso's operations committee, which goes over it in detail. This committee (of which Miller is a member) acts for the Esso board of directors and is partially comprised of directors.

"Although our directors are not

necessarily interested in details," says assistant advertising manager W. N. Farlie, "they may want to know about our relations with the agency, even why we use photos in the ads rather than sketches. You can expect almost any kind of a question." After review by the operations committee, the marketing plan then goes to the board for final approval. During the year Esso advertising and marketing executives keep Esso directors supplied with a stream of memoranda on advertising plans and hold special information meetings to keep directors constantly up to date.

Perhaps this policy of keeping directors informed about advertising is one of the most significant indications yet of the increasing importance of the corporate director's influence on advertising. It shows what well may be in the future for other companies.

■ TIDE,
August 9, 1957,
p. 15:3.

When You Talk to the Press

A REPORTER calls a member of your plant management. Perhaps he wants information on a new product. Maybe he has heard about a layoff or a labor dispute. Or someone has given him a tip about a proposed management reorganization. Possibly he wants to know what the company is doing about smoke control or waste disposal. Whatever the query, it calls for a complete, accurate answer. A few ill-chosen words and your company's reputation in the community may take an undeserved thumping.

To insure accurate news dissemination, many companies have found it good policy to appoint a member of top management as "contact man" so all statements to the press will funnel through one responsible source. This is the approach at Quaker Oats Co. (Chicago, Ill.). The company has described its press relations program in a booklet, *Quaker Oats and the Press,* which is distributed to Quaker executives.

In the majority of Quaker's plants, the plant manager has been designated as press spokesman. In some of the larger plants the job is delegated to a chief assistant. "In this case," management explains, "it does not mean that the plant manager is not available, but it does assist him in taking care of his many duties."

Press spokesmen at Quaker pass along routine items to the press, radio or TV without clearance from headquarters. When something of extreme public interest is involved, they call on the public relations department in Chicago for counsel and aid in preparation of a news release.

When reporters call, Quaker says, they should be given the whole story fast. "Nine times out of ten when a newsman calls you," it is pointed

out, "he is up against a deadline. If you don't know the answer to his inquiry, don't guess. Tell him you don't know but will find out and call him right back."

Reporters and their editors, of course, hate evasive answers, red tape, or standoff treatment. If that's what you give them, what might have been a favorable story may never be printed or broadcast. The plant spokesman should be available at all times, or have someone else to comment for him when it is impossible for him to be available.

When a reporter asks a question about a subject on which policy has not been clearly defined, the best bet is to tell him frankly that a statement must come from the head office. "If he is in a hurry," Quaker suggests, "offer to telephone Public Relations."

"You will occasionally be approached for a statement on some controversial matter—perhaps a labor dispute," the booklet says. "The reporter may read you a union statement, then ask for Quaker's reply. It's vital then to keep cool. You may feel irritation, but it does not pay to show it.

"Ask for a few minutes (but only a few!) to collect your facts. When you have a statement clearly in your head, call him back and give him Quaker's position clearly, completely and seriously. Don't be guilty of a 'no comment'."

Catastrophes and serious accidents are legitimate news, and Quaker takes the position that you shouldn't try to hide them. Spokesmen are advised to notify the press of such emergencies immediately after the police, fire department or other disaster service is called. They are also counseled to have guards and voluntary emergency workers prepared to cooperate with reporters.

The company suggests the following over-all guide for establishing a harmonious, productive relationship with the press:

1. Remember always that accuracy is the first essential of all news. To establish yourself as a dependable news source, avoid making "I think" answers.

2. Never demand that a newsman submit his story for your approval.

3. Don't ask reporters, "When will this story appear?" or "Will you send me a clipping when the story sees print?"

4. News doesn't keep regular hours, so have someone available for comment around the clock.

5. Play no favorites in releasing stories.

6. Don't threaten, scold, or try to pressure newsmen. If a really important error pops up in print, it is wise to call the man who wrote the story—not his boss.

7. Newsmen don't want you to think that personal friendship influences their evaluation of a story's news interest. It's proper to thank them for using a story, but be discreet.

8. The fact that you are an advertiser should have no bearing on whether your story is published. Never try to place a story through the advertising department. It may work occasionally, but it will create bad feeling in the long run.

▪ EMPLOYEE RELATIONS BULLETIN, *September 18, 1957, p. 8:6.*

New Peaks in Corporate Income

HALF-YEAR REPORTS ON 1957 EARNINGS indicate that although many companies are still plagued by a "profit squeeze," a substantial number are scoring record highs in net income. Figures issued by 741 companies show combined net income after taxes of approximately $6.2 billion, an increase of 6 per cent over the first half of 1956. About three out of five companies included in the tabulation scored gains. Their good showing reflects high levels in production, distribution, employment, national income, and other over-all measures of economic activity.

In manufacturing, a majority of the industry groups showed increases in both sales and net income. In some lines, however, the rise in operating expenses and taxes absorbed almost all of the increased revenue from sales. A few lines experienced fairly substantial declines in net earnings as a result of the rise in their costs, often combined with a lag in sales.

In nonmanufacturing fields, there were half-year increases in net income by the wholesale and retail trade and the service and amusement industry groups. Continued growth was achieved by the electric, gas, and telephone utilities, but railroads and mining companies showed declines.

Among the manufacturing industry groups showing better than average gains in half year net income—usually accompanied by increases in sales—were petroleum, drugs, foods, tobacco, machinery, electrical apparatus, and automobiles and other transportation equipment. During the second quarter, however, the gains were usually smaller than in the first quarter.

Declines in half-year net income were experienced by five groups—textile and apparel; paper; chemicals; cement, glass, and stone; and miscellaneous metal products.

—*First National City Bank Monthly Letter* 8/57

Cutting Handling Costs by Radio

TWO-WAY RADIOS, mounted on industrial trucks of all types, are helping one company (The Glenn L. Martin Co., Baltimore, Md.) to solve its materials handling problems, *Flow* magazine reports. Because the company's plants, storage space, railroad sidings, etc., are spread over more than a thousand acres, and because many different handling assignments are necessary during the manufacture of the wide variety of Martin products, it was difficult to control the comings and goings of the company's gas- and electric-operated fork-lift and platform trucks.

The installation of two-way radios on all trucks not working on permanent assignments has eliminated the need for deadheading these vehicles back to the dispatcher to receive their next assignment, thus saving time, fuel, and wear and tear on the equipment.

The economies effected by the use of radios are substantial, according to William K. Deitz, Supervisor of Transportation at Martin. He conservatively estimates a 10 per cent reduction in the cost of operating the company's industrial trucks—a saving amounting to as much as $1,727 per radio each year.

Institutions—Our Giant Investors

INSTITUTIONS engaged in investing are a dramatic example of modern American gigantism. Even with tangible national assets at well over $17 trillion, the $430 billion of assets held by life insurance companies, trust funds, investment companies, pension funds, and savings and commercial banks at the end of 1954 is a tremendous figure. At that time, these institutions owned more than 60 per cent of all corporate bonds and between 35 and 40 per cent of the outstanding preferred stock.

The life insurance firms now have assets of $100 billion and they are growing at an annual rate of $6 billion. As the nation's most important institutional investors in industry, they hold more than 85 per cent of their assets in corporate securities and real estate mortgages. Savings and loan associations, whose assets are largely invested in real estate mortgages, are growing at the rate of about $5.5 billion annually. Judging from these figures, the role of institutions in our investment markets is bound to grow.

The dominance of investment institutions in the government bond market is an important aspect of the growing "institutionalization" of our savings. Today, insurance companies, commercial banks, and mutual savings banks own some $70 billion worth of the federal debt among them, out of a total marketable debt of $170 billion. Clearly, these institutions have become a most important government creditor.

Criticism was sharp when the institutions began to unload government securities at the end of World War II. They were accused of showing a lack of responsibility. In retrospect, such criticism was not justified. In fact, the reinvestment of institutional funds in housing mortgages and corporate bonds enabled the economy to expand with a minimum of inflation.

What has been the impact of institutional investment on the stock market? Most of the institutional investors are restricted as far as common stock purchases are concerned by both legal and functional limitations. Many trust companies and most investment companies, however, can buy all they want. In 1954, they held about half their assets—42 billion dollars—in stocks. They have been increasing their rate of purchases markedly—from about $300 million to $1 billion annually in about ten years.

A 1956 study by the Securities and Exchange Commission revealed that institutional trading, mostly through bank-administered trust funds and investment companies, accounted for 16 per cent of the total activity on the New York Stock Exchange between 1955 and 1956. These institutional stock purchases have often acted as a cushion against panic selling by other investors.

The SEC found that most of the stocks institutions dealt with were in the "50 favorites" class of high-grade corporate issues. It is, therefore,

hardly surprising that institutional buying has resulted in a gradual widening of the price gap between blue chips and other common stocks. Indeed, most securities analysts believe that institutional buying has contributed very considerably to the postwar rise in stock prices.

By the same token, a reduction in the volume of institutional stock purchases would probably result in greater susceptibility to general price declines. If variable annuities should gain widespread adoption, however, the common stock holdings of institutional investors would tend to rise more rapidly, accentuating recent upward price trends.

It is true that institutional investors sometimes hurt particular industries, like the railroads, by an unwillingness to recognize change, or by placing undue emphasis on past experience. And, of course, institutions, like other investors, can make mistakes. Readjustments, in such cases, can be severe. By and large, very few such readjustments have been necessary.

Critics are unhappy, however, about the economic impact of another aspect of institutional investment, the practice of private placement. Securities acquired directly through negotiations between the buyer and the issuing corporation need not be registered with the SEC, the government's chief watchdog in matters of financial ethics. Institutions like this method because they can be sure of obtaining as much of a company's issue as they want—something they could not do on the open market. Since such privately placed issues are usually bonds, the issuing company can also save on the distribution costs of its debt.

There is no evidence that private placement gives the institutional creditor "control" over the debtor companies. But such policies often result in barring small companies and individual buyers from a desirable market of prime securities. The situation is perhaps more serious for small firms, which find it increasingly difficult to place their issues. It is precisely these companies which are most dependent upon outside financing.

One solution to this problem would be the formation of private agencies by institutional investors to channel their funds into small and medium-sized businesses. Such agencies already exist in Canada and England.

Another problem presented by institutional investments is the situation of firms seeking equity capital. With the exception of personal trust funds and investment companies, most institutions are limited either by law or function from making extensive investments in stocks. With more and more of our savings being channeled into institutional hands, will this restriction lead to a shortage of equity capital?

It is impossible to answer this question in general terms. As we have indicated, there is no real shortage of equity capital for large enterprises. The only kind of business which might be hurt by the growing role of institutional investors who cannot buy stocks is the small or medium-sized enterprise. Even here, however, it is not at all clear that the institutions are responsible for

the small company's difficulties. Individuals, too, have shown a marked preference for the "blue chips" of large corporations.

Some experts have suggested that life insurance companies be allowed to increase their common stock holdings. Experience, however, suggests that the insurance firms would make no drastic changes in their policies if state laws were liberalized. A flurry of stock buying was expected when the New York State Legislature allowed life insurance firms to invest 3 per cent of their total assets, or one-third of their surpluses, in common stocks. But the expected burst of activity did not materialize, and the insurance companies have kept closely to their old conservative investment policies.

Indeed, by and large, institutions have behaved in a remarkably responsible manner. Constant study by institutional investors themselves will prevent excessive complacency from creeping in. The investors are, of course, obligated to remain sharply aware of their impact and to modify their policies for the good of the whole economy. Continuing publicity should help guarantee prudence and flexibility.

■ *Rudolph L. Weissman.*
CHALLENGE, *October-November, 1957, p. 8:5.*

Ground Rules for Better Salesman Selection

WHEN a company's marketing opportunities mushroom suddenly, the sales manager often has to scramble for additional salesmen. Pressed for time, he may tend to appraise each applicant haphazardly, hoping that favorable qualities not apparent during the interview will somehow appear when the man is put into the field.

Such hopes will seldom be realized. No matter how quickly management must move to add salesmen, certain basic principles of selection should be observed. Among them are:

1. *Consider the type of individual needed.* Bob W. was hired by a large consumer goods distributor because he was a personable, polished Ivy League graduate. However, he didn't go over with the small town store managers he was assigned to cover, and he soon became discouraged and quit. The company made a bad mistake in giving him this territory. He was the right man, perhaps—but not for that job.

Some sales organizations hire the same type of salesmen year after year—even though their objectives, products, and customers may have radically changed. Other companies look for an "all-round salesman," a man equally at home in developing a new market or in operating an established market; a man who is both a smooth team man and a tough competitor setting a stiff pace for the other salesmen; a man who will quickly become a contender for increased responsibilities and who

will also be content to produce in a given territory for years to come. Assuming they exist at all, such men are few and far between. It is, therefore, essential for the sales manager to narrow down the specifications so that he doesn't ask for the impossible.

2. *Hiring criteria should be flexible.* A list of 10 or 12 desirable qualities—based on an analysis of the most successful salesmen already with the company—provides a useful guide for hiring additional salesmen. However, the list should not be too confining. For example, if there are rigid, narrow age limits specified, the recruiting and selecting process will be lengthy—and expensive.

A list of hiring criteria may make the selection process appear too impersonal. To avoid this, sales managers should refrain from using factual information on age, background, experience, etc., as a substitute for getting to know a candidate and making a decision on him based on personal acquaintance and observation.

3. *Psychological tests should be used as valuable aids—but only that.* It is important to understand their strengths and limitations. The growing acceptance of psychological testing has led some managers to expect dramatic results from tests. But tests cannot substitute for managerial decisions.

4. *Work history should be properly evaluated.* Frequent job changes may stem from poor planning and judgment, but not necessarily. The *reasons* for such changes are more important than the fact that they have taken place. On the other side of the coin, a lengthy tenure in a previous job does not necessarily indicate personal stability. For example, Henry C. had sold for Company A for 21 years. He was suggested as a prospective sales manager for Company B, and one of his most favorable recommendations cited his "outstanding devotion to the interests of Company A." What this actually meant was that he had never asked for a raise and had never looked around for another position, even when Company A at one time was practically on the rocks. A personal interview revealed clearly that his job history reflected not stability but complacency and lack of initiative.

5. *Make sure the applicant has a capacity for sales enthusiasm.* It is important to recognize enthusiasm that is only skin-deep and will disappear at the first challenge. When a man is being considered for employment, his enthusiasm is centered on *himself*. When he sells, that enthusiasm must be transferred outside himself. If a man demonstrates that he can show enthusiasm, the important question is whether he can focus it on his *product*.

6. *Yes-men must be avoided.* In the selection interview, does the applicant seem to have the strength of his convictions? Will he be willing to defend the company and its policies and practices? Will he report facts, even though they are unpleasant facts, in his dealings with you? No one wants to fill his sales organization with yes-men who can't hold up their end with tough or discouraging customers.

7. *Find out the applicant's attitude.* The interview should explore carefully the candidate's reactions to previous positions he's held. Ask him to review his last job: "What did you like and what did you dislike about that position?" His answer will often reveal whether he is the kind of person who helps carry his organization or whether he is just a "free rider."

8. *Get the applicant's own opinion on his strengths and weaknesses.* Most candidates are willing to speak frankly about their strong points and shortcomings, but only if the interviewer gains their confidence and gives them time to think over and organize their answers.

■ *Erik E. Roos and Charles A. Dailey.* SALES MANAGEMENT, *August 16, 1957, p. 96:4.*

Isotopes: New Item on Industry's Shopping List

EVERY DAY, a gray van rolls out of the Atomic Energy Commission's huge plant at Oak Ridge, Tenn., loaded with boxes of radioisotopes that, according to AEC Commissioner Dr. Willard F. Libby, save U.S. industry and agriculture $500 million a year. And by 1960, Libby predicts, these annual savings will come to $5 billion—enough to offset the total bill for the nation's nuclear weapons and power programs.

Five years ago, 750 firms were on the Oak Ridge shipping list. Today the count is 1,700 (plus another 2,400 medical and research customers). More than 100 companies process the isotopes, fitting them into gauges to measure the flow of oil or the thickness of steel plates, into cameras to check on hidden welds, into lamps which will burn for years without tending, and into machines to see that cigarettes are uniformly round, firm, and fully packed.

Jersey Standard reckons that its savings from isotopes in its refining operations alone total about $1.5 million annually. Radio-sensitive gauges track catalysts and other materials circulating in the cooking vats. "Tagged" oil particles (made radioactive with isotopes) tell pipeline crews what sort of oil is being pumped past their stations. Isotopes spot sandstone blocks slowing the flow of oil at the bottom of a well.

General Motors has just started its own school to train men in the use of radioisotopes. A beta gauge in Ford's steel plant regulates dimensions of the products of the company's cold-rolling mill. The Carborundum Co. installed beta gauges to monitor machines it uses in making coated abrasives, at about $60,000 per unit.

Because of the growing demand for isotopes, the AEC is opening a $4 million pilot plant at Oak Ridge to speed production. And Isotope Products of Buffalo, N. Y., plans to build a reactor to produce isotopes, which will mean the first major entry of private industry into the field.

—*Newsweek* 8/12/57

How to Be a Legal Client

EVERYBODY knows that lawyers spend most of their time serving the business community. But it is not so well known that businessmen spend a significant part of their time, energies, and resources acting as clients. How well they spend this time is a more important question than executives generally realize. To obtain the most that the legal profession has to offer, the businessman must be a skillful client.

Whether to hire a staff lawyer or to retain an independent lawyer for specific legal problems is an important question for many firms. Without question, a client needing extensive legal services derives significant advantages from the employment of a full-time counsel. Such an attorney can develop a comprehensive knowledge of his client's business and a close relationship with other executives which facilitates understanding and communication. Moreover, the house counsel is usually less cautious than the independent lawyer. Since he knows intimately the men with whom he is dealing, he should not feel so strongly the need to put his opinions on paper with scrupulous qualifications.

The trouble is that in some corporate atmospheres an inside lawyer may become partisan. Total immersion in the client's organization can place too great a strain on his independence of judgment for the good of the client.

For large firms perhaps the ideal solution is to maintain a corporate law department for the performance of day-to-day legal chores and to call on an independent attorney for services of greater moment. By having salaried lawyers on hand a firm avoids the danger that for reasons of convenience or economy it may forego useful legal advice on seemingly inconsequential matters or on matters which raise only tentative legal problems. At the same time, the use of an outside counsel on critical questions allows the firm to procure experienced, independent guidance without attempting to staff its own law department to meet the kind of needs which arise only occasionally.

In selecting a particular lawyer, whether he is to be employed or retained, the businessman should begin with this thought: the choice should be made only on the basis of considerations pertinent to the lawyer's role. A common practice—and a costly one—is that of choosing a lawyer because he has advantageous connections in the product or financial market. The role of the lawyer in his client's affairs is too vital to allow criteria for his selection to be set by considerations other than the primary one—how well the candidate will carry out his responsibilities.

What are the hallmarks of a good lawyer? A lawyer's general reputation among his clients and fellow lawyers is a useful indication of his professional capabilities. The prospective client can perhaps discreetly

discover the attitudes of other clients, and, while he may not be able to ask another lawyer for an appraisal of a candidate, there are factors which he can ascertain and evaluate:

What other companies does the attorney or his firm represent?

What standings and reputations do these companies have in their fields?

To what extent is the candidate active in bar affairs?

Does he or his firm have a relationship with a law school or bar group devoted to continuing education of lawyers?

Has he ever participated in a forum or symposium conducted by such an organization?

What status do the rating agencies assign to him or his firm?

What training has he had, and what is his professional history?

The general counsel of one of our largest corporations said recently that the corporate client needs a lawyer capable not merely of providing traditional legal services but also of measuring corporate policy against public opinion about big business. The lawyer, this implies, must be able to perceive and gauge the strength of the extralegal restraints which arise from popular judgments. Too often in the past big business has ignored the rumblings of public opinion only to find itself confronted with stringent legal restraints. A lawyer not only should be aware of law in the making, but also should be able to influence the shaping of new laws by working with legislators and administrators.

The most perplexing difficulty for the client is not in comprehending the kinds of things his lawyer can do for him but in recognizing the particular occasions on which he needs legal help. How does he discover that the freight rates he is paying are unreasonably high or discriminatory, and hence unlawful; that his marketing structure, although no different from those of many other concerns, is, nevertheless, pregnant with risks of antitrust violations; or that the assignments of accounts he is accepting to secure his sales are invalid as against his customers' other creditors because he does not properly process them?

The solution is, in principle, at least, a simple one: the client should let his lawyer know his business. If a lawyer is to serve to his full capacity, he must know what the firm is doing and why. He must take part from the outset in new programs that are being considered. He must know as much about the competitive structure of the industry as he does about the corporate minutes. In short, he must be as widely, if not as thoroughly, informed as top management about policies, plans, and actions.

Ideally, the client should establish a systematic procedure for keeping his attorney in close contact with company operations. Inviting him to attend or providing him with memoranda on all meetings at which important policy decisions are made keeps the lawyer in touch with what is going on. He ought also to receive copies of significant policy memoranda circulated among executives. Finally, the client should invite him to review periodically all routine mercantile operating procedures, to advise

on routine business forms, and to set up standards for the administration of all security and credit programs.

Only if such procedures are used can the lawyer participate in discovering, as well as resolving, legal problems.

The lawyer's areas of function should be explicitly assigned and strictly adhered to. In litigation, for example, the client has final responsibility for deciding whether to go to court; his lawyer can appraise the hazards, but nothing more. Once litigation is initiated, moreover, the client must also decide whether to seek a compromise settlement.

But, once these preliminary matters are settled, the lawyer's function is necessarily the important one. The client must put him in charge and accord him broad discretion. It is he, not the client, who must develop a theory for the case, just as he must attend to the procedural aspects such as the filing of pleadings and other court documents. It is he, too, who must ultimately decide what evidence to prepare and whether, when, and how to introduce it before the court or agency. Despite the most thorough preparation, it is never possible to know, in litigation, just what will have to be done, or in what manner or how quickly. This makes it all the more essential that the litigating lawyer, armed with a full understanding of the client's needs, be given ample elbowroom to do his job well.

■ *Lawrence A. Sullivan.*
HARVARD BUSINESS REVIEW,
September-October, 1957, p. 61:7.

Industry Cracks Down on Plant Pilferage

WHILE MANY COMPANIES still regard theft from their plants as an inevitable cost of doing business and resist it only passively, an increasing number are using shock tactics—such as phony FBI scares, periodic searching of employees, and closed-circuit TV cameras—to fight pilferage and embezzlement. In many cases, these methods are helping to cut down on theft, particularly pilferage.

Management has good reason to be concerned with industrial theft. Fidelity & Deposit Co. of Maryland, one of the biggest underwriters of fidelity insurance, places industrial theft losses at $500 million annually. A national detective agency that handles many industrial accounts says the figure is closer to $750 million. Whatever the correct figure, it's clear that internal theft is rising steadily: Paid-out insurance claims on honesty policies totaled $5 million in 1949; this year, they'll climb to about $30 million.

Dishonest employees—production-line workers, white collarites, and executives—take a heavy toll. Dun

& Bradstreet estimates that they account for about 8 to 10 per cent of all business failures each year. These figures are based on known thefts, and merely hint at how many businesses fail as a result of undiscovered theft.

Companies that have been hit by employee dishonesty attribute the rise in theft to several factors:

- The tight labor market leads to quick, skimpy screening of new workers and a loosening of reins on older employees.
- The social pressures created by today's high standards of living often drive basically honest persons to crime.
- The internal controls of many companies have not kept pace with a spurt in volume.

It's obvious, however, that no one reason can be singled out. "Young or old, new or trusted," a midwestern security official says, "there's no way of foretelling. Persons who wouldn't dream of robbing an individual see no harm in taking from a big impersonal corporation." Recently, for example, the foreman of a San Francisco wholesale hardware house confessed that he had stolen something every working day of his 29 years with the company.

One element making standardized security measures ineffective is the wide variety of items taken and the schemes involved. For the most part, workers operate in teams and tend to steal products and tools. White-collar employees and executives work alone and lean toward cash thefts. But that's as far as generalities go.

Proportionately, there's a greater degree of theft among production line workers than among white collarites and executives. The latter groups, of course, don't have so many opportunities, but their light fingers take larger amounts from the company's pocketbook. The complexity of many of their schemes also makes the detection problem harder.

Pilferers use more prosaic ways to haul off drugs, hand tools, tubes, electric drills, etc. Manufacturers tend to ignore much of this loss, but when costly items are taken, in-plant theft becomes too damaging to overlook. Companies suffer particularly when new "hot" products catch the public fancy. Today's "hot" item is transistor radios, and there's a rash of pilfering in appliance houses. Scrap sale swindles also can hurt a company. Armstrong Cork Co. lost more than $75,000, and McDonnell Aircraft Corp. $100,000, when employees sold their companies' scrap below its true value.

Rather than risk upsetting management-employee relationships, many companies try to get by without fancy security measures. They maintain standard security—guards, cursory gate checks, and some form of inventory control. But they make only a token effort to follow the basic steps of protection—checking applicants carefully, screening personnel, enforcing strict inventory control, keeping books well audited, maintaining adequate insurance coverage. For example, only one out of four companies carries separate honesty insurance policies that bond their employees and executives. Some, however, act as self-insurers, setting aside specially budgeted funds to cover in-plant losses. All, of course,

carry a theft policy—which protects them against burglary loss—but in many cases these policies are inadequate.

Some companies try to curb pilfering by offering tools and equipment to their employees at cut-rate prices. Eitel-McCullough, Inc., a San Francisco electronics firm, goes a step further and lends tools to its employees.

Other companies use sterner methods to crack down on stealing. Columbus Plastic Products, Inc., posts a $500 reward for information leading to the conviction of an employee for theft. The company estimates that the offer has cut its former annual losses of $15,000 by 95 per cent. General Metals Corp. marks its equipment with electric pencils in a place where it is impossible to grind off the mark. Another company stamps its tools with "47," a number hard to erase. One big appliance company checks the serial number of its transistors every hour.

Burroughs Corp. uses closed-circuit TV to detect pilfering. The guard who monitors Burroughs' three cameras can hear any noises in a spotted area through open microphones, and he can talk to persons in the same area through a squawk box.

Many companies have also worked out defenses against office embezzlement. Hundreds of offices use surprise auditings to check books. Many keep an eye on cash receipts by depositing receipts with a three-deposit-slip method: One is stamped by the bank and immediately returned for delivery to the company's cashier; the second is mailed by the bank directly to the company's auditing department; the third copy is retained by the bank for its records. Some companies keep switching members of their credit and collection departments to different positions.

A number of companies use lie detectors to uncover dishonest employees. One such company says that a mere threat to use the lie detector will often result in the thief coming forward or secretly returning the stolen goods.

Even after the thief is caught, there remains a big problem: what to do with him. Most companies still refrain from prosecution of pilferers; restitution is all they want. Many consider each case individually and give light offenders a second chance. One concern likes to give pilferers the "Army grease-pit method"—a rough, dirty assignment.

Embezzling executives get a tougher deal. Because of the large cash sums involved, almost all companies prosecute with a vengeance. And if a company suspects—but can't prove—that an executive is embezzling, it will nudge him out some way.

■ Business Week, *July 6, 1957, p. 74:2.*

EX-UNION HEADS have a lot to contribute to good employee relations, the Rogers Corporation believes. Its suggestion for the formation of a past presidents' association was approved by the workers, and now this group is formalized to give counsel and advice to both sides.

—Employee Relations Bulletin

What Makes Executives Run?

BEFORE-TAX INCREASES in executive compensation during the last decade have been little short of sensational. In some industries, top management compensation has doubled during this period, and individual companies report compensation increases, in upper management echelons, in excess of 500 per cent.

But today there is considerable evidence that the boom in monetary compensation as the primary ingredient in executive motivation has passed its peak. In effect, industry appears to be running out of devices to whet the executive's financial appetite. Recognizing this, progressive chief executives are taking a fresh look at the whole problem of executive motivation —and finding that the answer lies in more effective use of the vital nonfinancial motivations which have been neglected in the big compensation push of recent years.

What are the key factors in executive motivation? At least six major elements might be identified, of which five are essentially nonfinancial: *leadership, discipline, job challenge, status, competition,* and *money.*

1. *The leadership motivation.* Unquestionably, leadership is the most important single motivation for any group. It is the cement that binds all the other motivations together. Without it, the rest are unimportant.

Everyone knows of companies that pay below-average compensation to their executives, but chalk up decidedly above-average profit increases. This is usually the result of leadership, and the leadership that produces such results consists of many things. Three of its most important ingredients are:

- The ability to set high goals for the company and to persuade individual executives to adopt high performance standards that "stretch" their capacity.
- The ability to organize the efforts of others and correctly assess the productivity of these efforts.
- The ability to spot men who can assume greater responsibility, and provide the opportunity for them to do bigger things.

There are two general types of leader: the emotional leader and what might be called the "show-the-way" leader. The basic difference between the two types, of course, lies in their approach. The emotional leader says, "Do as I say, because I know best." The show-the-way leader says, "Here is what we want to do, and the reasons. There are several ways to do this within the framework of our policies. Choose the one that suits you best."

2. *The discipline motivation.* Discipline is the element that keeps the executive "team" working toward a common goal. The importance of discipline as a motivation is not always understood. The sales department of a major heavy equipment producer had been trying for some months to get a particular attachment designed for the 1957 model. The president had told the engineering vice president that work on the gadget should

be pushed. But the vice president did not think well of the idea, and consequently nothing was done. Several months later, the company's principal competitor introduced just such an attachment—which it had shrewdly patented. The resulting competitive disadvantage dropped the company's share of market from 37 per cent to 26 per cent in seven months, and cost over $1 million in net profit.

The fact that the president took no disciplinary action—not even a bonus cut—against the engineering vice president for this failure has worsened an already weakened internal situation.

An example of effective disciplinary action was the decision of another chief executive, in a newly decentralized company, to force the early retirement of an executive vice president who refused to delegate authority. The impact of this decision was electric. Programs that had been lagging suddenly began to move full steam ahead. Opposition to decentralization evaporated quickly, for the president had shown that he would not tolerate a lack of internal discipline.

Two long-term trends have contributed to the weakening of executive discipline in recent years. One is the shortage of qualified executives—management hesitates to take disciplinary action for fear someone might quit. The second has evolved from the effort to have executives of all levels "participate" in management. This democratic "participation" philosophy is largely an outgrowth of efforts to develop management talent. In some situations, however, it has become tainted by the implication that the company should develop the executive, rather than simply give him the opportunity to develop himself. The effect is to discourage disciplinary action by fostering the notion that the executives are all "one, big, happy family"—which suggests that discipline is somehow unnecessary.

3. *The job challenge motivation.* The challenge men find in a job was called by Thorstein Veblen "the instinct of workmanship." This is not man-against-man competition, but the desire to do an increasingly better job for the sheer satisfaction of accomplishment.

The environment that appears to maximize this motivation is one in which the individual: (1) knows the scope of his responsibility and authority, (2) understands that top management expects some mistakes, and (3) believes his work will be judged fairly, in terms of his responsibilities.

4. *The status motivation.* Many an executive would rather be made a vice president than receive a $10,000 tax-exempt raise. Status is a basic promotion incentive.

However, the use of status symbols can create problems. In an effort to develop a feeling of individual responsibility among the heads of its newly decentralized divisions, one large company set them up as divisional presidents and made their functional subordinates vice presidents. But no centralized planning and control mechanism was created. As time passed, the divisional presidents assumed greater and greater independence, with the result that serious interdivisional problems involving products and market arose.

Because of the possible demoralizing impact on the now status-conscious

divisional presidents, top management hesitated to reassert the authority it had, in effect, abdicated. As a result, the company suffered some serious losses in market position before a new chief executive regained proper control over the subordinate units.

5. *The competition motivation.* A good executive develops faster under the lash of competition. Many companies recognize this and organize their activities so that there are several candidates available for every promotion opportunity.

But others unnecessarily limit their own profits and growth by violating the basic conditions necessary for the development of a competitive environment—as when the business is organized on a one-over-one basis, with a single assistant reporting to the manager, or a single executive vice president reporting to the president. Similarly, when a company adopts the "crown prince" concept it is violating the spirit of the competitive principle, even though the organization of functions theoretically provides for competition.

Top management's failure to adopt the principles of internal competition frequently stems from a belief that it fosters intracompany politics. This viewpoint does have validity when individual job responsibilities and authorities are unclear. But power-grabbing is unprofitable, and hence unlikely, when job responsibilities are clear-cut and individual actions are reviewed in terms of individual responsibilities.

How can management administer the nonfinancial motivational elements? In one sense, these motivations cannot be "administered" at all, because they are intangibles. But the climate of a company can be developed and changed. In this way, nonfinancial motivations *can* be "administered," in the sense that they can be directed and controlled.

■ *Arch Patton.*
DUN'S REVIEW AND MODERN INDUSTRY,
September, 1957, p. 36:8.

Is Brainstorming Overrated?

CREATIVITY has become a prime business objective and its cultivation a budding new profession. Brainstorming has caught on like wildfire in both business and government. Indeed, within the past ten years most large companies—and many smaller ones—have tried brainstorming, and today a surprisingly large number are hopefully using some form of brainstorming to help find answers to some of their problems.

Brainstorming was originally conceived as a device for stimulating promotional and marketing ideas, but it has long since outgrown these modest aspirations. Indeed, it has now been extended to problems in engineering, logistics, and even scientific research. Nothing is too difficult for brainstorming, apparently; one consultant recently advertised that

he was ready to "solve" 'insurmountable' business problems."

But what can be accomplished in a "groupthink" session that cannot be accomplished as well—or better—with hard, individual thinking? Why should the whole add up to more than the sum of its parts? Why should a random approach yield better results than systematic reasoning—especially in technical fields where individual knowledge and mental disciplines are the basis of fruitful cerebration? Could it be that the current brainstorming vogue is simply a symptom of "get-something-for-nothing"—of the desire to get results without really having to work for them? In his book, *Applied Imagination,* Alex F. Osborn quotes a contented brainstormer: "When I can make my brainstorming team feel they are *playing,* we get somewhere." Osborn suggests, "A good device is to create the atmosphere of a picnic."

The idea seems to be that, instead of tackling problems with intelligence and logic, businessmen should flock to games, fads, and fantasies, hoping that out of some magic blue yonder they can painlessly pluck the solutions to serious problems. Let us consider for a moment the "let's-all-do-it-together" idea that underlies brainstorming. Doesn't it reflect the fact that our modern education system does not place much emphasis on training us to stand on our own feet as individuals? In an era of committees and study groups, collective thinking and teamwork, there is a tendency to suspect a man of being an egocentric if he sits down by himself, thinks for himself, and then gets up and speaks out. He is considered an odd-ball who does not "fit into the team."

But deciding whether people should work alone or together should be very simple: If the problem requires a broader range of knowledge and experience than one has in one's own head, there is an obvious advantage in working with people who possess this knowledge and experience. But if the problem requires original thinking, then for goodness' sake let us get off alone in a corner and think.

There are, of course, situations where discussion stimulates mental activity, but let us not assume that we can be mentally stimulated only in groups. This is a matter of self-discipline and the arduous cultivation of good thinking habits. Unquestionably, sitting down to concentrate on the solution of problems is demanding work, but evolving a clearly conceived solution to a difficult problem is a highly satisfying experience, even though it may not always occur in "the atmosphere of a picnic" that brainstormers recommend.

Logical reasoning, moreover, will improve the chance of discovering not only a solution that will work, but the *best* solution to a problem. Perfectionism must obviously be tempered by compromise, but today there is too often a tendency toward all compromise and no striving.

As an alternative to brainstorming I would like to suggest an approach to solving problems that I call the Epistomological Method. The *Britannica World Language Dictionary* says epistomology is "the department of philosophy which investigates critical-

ly the nature, grounds, limits, and criteria or validity of human knowledge." The Epistomological Method comprises the following six basic steps:

- Define your problem. There is no point in worrying about something until you are really sure you know exactly what the problem is that you want to solve.
- Work backward to discover the problems behind your problem. Always ask yourself "why" a solution is desired. Many people have worked out wonderful solutions to problems that they did not have to solve in the first place.
- Stop in your backward trek when you come to the "barrier of compromise," i.e., the point beyond which you are unable or unwilling to go in pursuing an ultimate solution.
- Outline step by step all the basic approaches toward a solution of the *fundamental* problem. Chart these approaches systematically and discard those that do not meet your requirements.
- Chart all the conceivable ways of *implementing each approach.*
- If the problem has been correctly defined, the basic problem uncovered, the approach and implementation possibilities thoroughly evolved, the probability is high that the best solution will emerge. Then make your decision and act.

After completing this epistomological process you will not only know what you are doing, and why you are doing it, but you will also know all the other possible approaches, and why you are not taking them.

The fact is, no amount of cerebral popcorn will produce the optimum solution to a complicated problem or provide a substitute for systematic reasoning. Brainstorming may serve a limited function in stimulating lively discussion, but the old-fashioned bull session accomplished the same purpose. In fact, the only distinction between brainstorming and a bull session that is readily discernible is that, of the two, the brainstorming session is likely to be somewhat more frenetic and somewhat less thoughtful.

■ *Bernard S. Benson.* FORTUNE, *October, 1957, p. 145:2.*

Dealer Contests: Is the Game Worth the Candle?

THE BOOM in merchandising contests sponsored by consumer goods manufacturers has reached the point where many retailers are wondering whether they are really losing instead of winning when they get such prizes as a flight to Paris for selling the largest number of Brand X air conditioners. A little figuring has convinced some dealers that if the manufacturer can afford such prizes, he can equally well afford to lower his prices. Moreover, the retailers who don't win any prizes feel they are helping to pay for the trips of the winners.

Many retailers are also taking a new look at contests offering prizes to their department heads, buyers, or sales people. Among dealers, the feeling is that these contests tend to make employees work for the manufacturer instead of for the store that pays them.

—Elmer Roessner in *Business Today* 7/16/57

Toward a Guaranteed Animal Wage?

ANIMALS NOW HAVE A UNION. Although still young, the union—which is called the American Guild of Animal Artists—has achieved such notable gains for its members that some animals are now better off than most of us. They are drawing up to $150 a week for a few hours work; they have a retirement plan, sick leave, paid vacations, and good food; they travel first class; and a few sleep in the best hotels.

Members of the Union work in television, films, and on the stage. "Until the AGAA was organized," says union secretary Mrs. Peggy Foldes, a human being, "no group existed to protect the working conditions of the many four-legged and winged artists in the mass communications industry. As a result, blatant exploitation was rampant."

According to the contract signed with animal employers, working hours depend on the physical stamina of the employee. A monkey, for example, being high-strung and nervous, cannot work more than an hour at a time. Minimum wages vary with the type of work done by members: $50 a week for posing without any performing; $100 for barking, chirping, meowing, mooing, neighing, growling, or in any other way responding to direction; and $150 for actors who cry, laugh, or emote on cue.

—*For the Informed Executive* (Associated Industries of Cleveland, 805 NBC Building, Cleveland, Ohio) No. 202

Success Story

ON THE BOARD of a nationally known corporation there sat for many years a brilliant man who was famous both for his spectacular successes and his equally resounding failures. During this time many people wondered—some out loud—how so erratic a man could hold a place on so important a body.

"It was simple," said one of his long-time associates shortly after his death. "In the group we had plenty of men of sound judgment. So many, in fact, that if there had been no other kind, our board would have been one solid mass of the most excellent conservatism—with not a chink in it anywhere for a new idea.

"He was the introducer of the unusual, the champion of the venturesome, the explainer of the seemingly crazy, the defender of the friendless plan. Most of these got very properly turned down, but now and then one showed itself on close examination to be really big, and proved itself on adoption to be a grand money-maker, so the stockholders can thank him.

"His judgment was invaluable to the company, not because it was good but because it was utterly and unpredictably odd."

—*Management Briefs* (Rogers, Slade & Hill, New York) No. 83

Making Communications Count

THE COMPANY that makes itself understood to its employees is on the way to successful industrial relations. But to communicate effectively with employees, more is needed than a bagful of techniques. Before you actually communicate, you must carefully consider the factors that will help determine how well your story gets across. You must consider how well you are prepared to communicate and how well your employees are prepared to listen.

Much of management's failure to get its story across to employees can be blamed on inadequate preparation. Here are four keys to preparing yourself and your employees for more effective communication of instructions, ideas, information, and attitudes:

1. *Be informed.* If a manager doesn't know and understand something himself, he can't communicate it to employees. Take a standard practice, such as a pension plan. How many managers understand their company's plan, its procedures, and the thinking behind it? If a manager is unable to come up with an answer every time he gets a question, his employees will soon turn to some other source of information.

The well-prepared manager will always have information in reserve. He needs to know a lot more than the bare minimum he wants his men to know, so that he can develop an over-all perspective on the subject. Unexpected questions will also require this reserve of knowledge. Thus, a manager's span of information and understanding should be greater than his span of communication.

2. *Develop a positive communication attitude.* Many managers do a poor communication job because they don't care about it. Some supervisors mistakenly assume they have a positive attitude toward communication, but in practice tell each worker only what they think is good for him. Or they communicate only when compelled to.

The wise manager tries to share information with employees to the extent the employees themselves think they need it. From the human relations point of view, you'll know you're making progress when your workers not only *are* informed, but *feel* informed. Of course, the positive attitude works both ways. There must be positive listening as well as positive information-sending.

3. *Plan communication procedures.* A suitable plan for communication will develop definite policies and procedures so that people can expect to be informed. Then workers will have little anxiety about whether they are "in the know" and will not waste time trying to get the information by other means.

Take this case: Employee bulletins in one company were posted by staff personnel representatives. Sometimes—but not always—the same information was distributed to each

supervisor in his "Management Bulletin." The result was that management people were never sure whether they were supposed to read the bulletin board, and were constantly worried about whether they had the latest news. Sometimes they were embarrassed when an employee asked about something he had read on the bulletin board, but which they knew nothing about. Here there was poor communication because there was no set procedure.

4. *Gain the confidence of employees.* The meaning a worker gets from a manager's communication depends on the confidence he has in the manager's purpose. The worker searches between the lines. He wonders: "Why did he say that? Why didn't he say something else? What was his purpose?" If a worker suspects trickery, unfairness, or blindness to his wants, he tends to react negatively and to misrepresent what was said.

Of course, even if the employee has confidence in the communicating manager, he doesn't always agree with him. But good faith does permit people to interact freely so they may seek eventual agreement.

Attaining employee confidence is a major problem in communication. As a manager plagued with poor communication put it: "I can't get confidence without better communication. But how can I improve communication without confidence?" Actually, each is dependent on the other. The only answer to the dilemma is a slow, tedious process of improving both at the same time.

Ineffective communication is often due to the wrong kind of information or poor timing. An obvious example of poor timing is the case of a company that released news about its profitable year on the very day employees began a strike on a wage issue. Often, companies release part of a complete story or half-formed policies, which merely add to anxiety and confusion. In such cases, workers may be stirred up by misinformation as the rest of the story unfolds through the grapevine.

Over-communication must also be avoided. This results when workers are swamped with books, bulletins, magazines, and policy statements. Actually over-communication is no communication at all, because the employees who are burdened with all the material don't read and understand it.

How cautious should management be in determining what information should be given to employees? It is generally agreed that certain types of confidential or controversial information should be avoided. An automobile manufacturer can hardly share full details of a forthcoming model with his 25,000 employees. But he can describe preparations for the new model, explain methods being used to plug information leaks, and give the date of release.

Managers should steer away from over-cautiousness in this area. One firm, for example, refused to answer employee requests for information about officers' salaries, despite the fact that the salary figures were publicly filed with the Securities Exchange Commission. The union later obtained the information from that source and made good propaganda

use of the company's refusal to disclose it.

If controversial matters are discussed by management, the employee should be encouraged to make his own judgment. For instance, employers who have tried economic education programs have learned that they can't tell the employee what viewpoint to take. They have to let the employee develop his own identity of interest with the company.

■ *Keith Davis.*
FACTORY MANAGEMENT AND MAINTENANCE, *September, 1957, p. 98:3.*

"People's Capitalism" and Stockholder Meetings

EXASPERATED by the failure of rank-and-file stockholders to oppose a management with a poor record of accomplishment, famed security analyst Benjamin Graham once wrote witheringly: "[They] vote in sheeplike fashion for whatever the management recommends."

Whatever the truth of Professor Graham's remark in 1949, the fact remains that in 1957 an astonishingly large number of shareowners are taking an increasing, if not always critical, interest in corporate goings-on. At least this is true if the annual meetings are any criterion. Some recent examples:

- At General Electric's annual stockholders' meeting last April, management was both pleased and astounded when more than 3,600 showed up, compared with 114 in 1947.
- Ten years ago—although the meeting was held in midtown Manhattan—only 546 stockholders were present to hear AT&T's yearly record accounted for. This year 3,075 men, women and children sat through a business session, asked questions and (in most cases) got answers, and munched on an elaborate buffet lunch.
- Florida Power ten years ago played host to only seven stockholders at its annual meeting, held in the president's office. This year 700 attended the session.

The mere fact that stockholders flock to meetings does not necessarily mean that they are taking an informed and intelligent interest in corporate affairs.

Nevertheless, the sheer increase in attendance at the meetings is at least impressive. For one thing, it reflects publicity on the role of the small shareholder in the economic scheme of things. For another, it represents the success of that campaign in selling stock to new small investors.

The nation's stockholders now number at least 9.3 million—an increase of about 2.8 million or 43 per cent since 1952, of 86 per cent since 1927. This despite the fact that the figures fail to take into account the real owners of the large number of shares held in Street names or bought on margin.

Add the hundreds of thousands of shares held by security houses to the millions owned by mutual funds, and

it becomes apparent that there are many more American stockholders than meet the census-taker's eye.

What role does the annual meeting play in attracting—and keeping—investment dollars? In some of its more frivolous moments, the answer would seem to be: almost none at all.

In many cases, the "party" aspects of the meeting are fast becoming predominant, and pity the poor president whose organization doesn't make something the stockholder can take away with him.

Along with the "favors" has come a festive air. A decade ago, most annual meetings took place either in the company's executive headquarters or in a lawyer's office, often in corporation-rich Delaware. The move now is toward holding such meetings in the ballrooms of the big hotels, in convention halls or armories, on large estates, even in tents.

With the gradual conversion of annual meetings into social gatherings, the guests have come to expect refreshments; sometimes they are even served a full-course meal. The food and refreshment often provide a welcome break or a chance for shareowners and management to mingle informally after the business meeting is over.

Fortunately, the bread-and-circus atmosphere of many annual meetings is not necessarily a true measure of stockholder attitudes. Often, the "average" shareowner is too busy at his office or in her home to take time off for a routine business session.

Mostly the audience is made up of older women and retired men, sometimes includes a sprinkling of youngsters (a law recently passed by 33 states makes it easier for minors to own securities). Each meeting has its share of "professional kibitzers"—men and women who own as little as one share in a large number of companies and make it a practice never to miss an annual affair.

In spite of this often unrepresentative quality of stockholders' meetings, there is a happily growing tendency for some of them to bring forth information which might otherwise remain shut up in executive briefcases. There is, for example, an increasing number of security analysts attending annual meetings.

Knowing that they may face tough and informed questioning, more and more corporate brass come as thoroughly prepared as a British cabinet minister facing questioning in Parliament. Often today, the presiding executive is so well primed with facts and figures that he answers many intending questioners before they have time to take the floor.

Balancing the good with the bad, are today's annual meetings a step in the direction of shareholder democracy? In many ways, the answer is "yes." On balance, the evidence would seem to be that annual meetings can be a valuable institution, one that no alert management should want to ignore. If the meetings have not yet become the useful forum that they are capable of being, it is as much the fault of the stockholder as of management. In the last resort, the annual meeting, and stockholder participation in general, can be no better than stockholders make them.

■ FORBES,
September 1, 1957, p. 15:3.

Absenteeism and Turnover in the Office

MORE WOMEN OFFICE WORKERS than men fail to report for work on an average business day, but the score is about even in holding on to the jobs they have, judging from a year-long study of absenteeism and turnover among white-collar workers in the New York City area. Recently completed by the Commerce and Industry Association of New York, the survey covers 172 firms employing 69,367 office workers—51.4 per cent female and 48.6 per cent male. Its findings, which should provide a useful measuring stick against which employers can measure their own office absenteeism and turnover rates, include these highlights:

During the year, the average absentee rate was 3.4 per cent for women employees, 2 per cent for men. The highest rate was in January, with 4.7 per cent of the women and 2.5 per cent of the men absent, and the lowest rate occurred in July, when 2.5 women and 1.6 men per hundred missed work.

Based on the total of all employees in each category, 32.2 per cent of the women and 19.1 per cent of the men stayed away from their jobs on an average of at least once a month.

As to turnover, the rate of separation or termination of employment averaged 2.7 women and 3 men per hundred. The highest rate occurred in September (4.3 per cent for women and 4 per cent for men), the lowest rate in December (1.6 per cent for women, 1.1 per cent for men).

The rate of accessions (new hires) for the year averaged 3.1 per cent for women and 4.0 per cent for men, and the average replacement rate was 2.3 per cent for women and 2.5 per cent for men.

"What's another phrase for 'didn't make any money'?"

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"Gal Fridays" Come into Their Own

CORPORATE MANAGEMENT is coming to a prettier pass. Secretaries are beginning to think, act and talk like their bosses. For better or for worse, they're getting involved more and more in company decisions, personnel management, and matters of high protocol.

"We used to waste time having department-head meetings," says one secretary, whose boss is president of a major beverage corporation. Now, she adds, they're unnecessary—because she herself "coordinates" department heads' views and vexations and relays them to the boss for his decision.

The secretary's function, as many top secretaries and some executives see it today, entails much more than mere note-taking and typing. In fact, many a secretary takes a rather haughty attitude toward these humble office tasks.

"My job consists entirely of human relations," maintains June Sweers, secretary to the manager of Fisher Body Division of General Motors. "Typing and dictation are a minor part of the job. Mostly, I save my boss's time."

This changing concept of secretarial duties is sweeping through the secretary corps, with results that are often startling—and sometimes alarming.

Consider, for example, the awesome powers conjured up by Miss Jerry Yoakam, private secretary to the chairman of Globe American Corp. of Kokomo, Ind. She says, "If a secretary handles her job right, she can make a visitor the boss doesn't want to see almost feel as if he's seen him." Her boss, she says, lets his business associates know she is the person to contact about company matters when he's away. "In fact," says she, "I'm usually the only one who knows where he is when he's away."

Another example of secretarial upgrading is given by Mrs. Joena Douglas, secretary to the district sales manager of American Thread Co. in Dallas. "Often," she observes, "the boss has one opinion and I have another. From these opinions, we develop a third one, and arrive at a decision."

Why has all this come about? Specialization may have something to do with the trend: typists are hired to type, clerks to clerk, and secretaries to handle the duties of an executive assistant. Moreover, a secretary is, in a very real fashion, a status symbol for an executive, with the higher-caliber girls setting a tone of graceful efficiency in top-management offices.

Whatever the reasons, there's no denying that secretaries are assuming a good many duties which in the past were largely left to executives. This is strikingly illustrated by a typical working day of Virginia Robertson, secretary to the president of American Pipe & Steel Corp. of San Marino, Calif. In one recent morning, she handled administrative details of a seaplane-buoy contract, the registering of official documents with state offices, and the income and disbursement reports of a corporate affiliate. In the

afternoon, she wrote advertising copy, prepared press releases, translated some correspondence from a Spanish-writing customer, answered jangling telephones innumerable times, wrote several letters, and smilingly welcomed several visitors calling on her boss.

Not all secretaries, to be sure, are able or willing to handle such a work load. "The man who has a secretary who's a polished administrative assistant is lucky," says J. S. Bush, vice president and director of the General Contract Corp., St. Louis. "Most of the younger girls," he says, "have boy friends, or get married and worry about husbands and babies, and all that cuts down on their efficiency."

In an effort to further upgrade secretaries' status—and salaries—the National Association of Secretaries has embarked on a program to professionalize their standing. It runs various "workshops" in universities around the country to enable secretaries to broaden their educational background and thus prepare for an N.A.S. exam. A girl who passes can become a "Certified Professional Secretary."

In the workshops, secretaries get varied fare, including instruction on "man and his behavior," tutoring in painting and the dance, and a briefing on the public issues of the day. Woven into these sessions, too, are the more "practical" subjects of business law, accounting, and economics.

A measure of the interest that the 15-year-old N.A.S. has stirred up in secretarial ranks is the growth of its membership from 10,000 in 1952 to over 17,000 now. Of the total, 983 members have the C.P.S. rating.

Secretaries' salaries range widely from $3,000 to $6,000 or more annually. For their pay, they often have astonishingly diverse duties. One regularly escorts the boss's youngsters to football games in the fall. Another keeps her boss's household budget in line. And still another even baby-sits while the boss takes his wife out—which should be heartening to executives' wives everywhere.

■ *Russell M. Drake.*
THE WALL STREET JOURNAL,
July 31, 1957,
p. 1:2.

Where Distributors Need Help

HOW CAN the manufacturer of industrial goods help the independent distributor do a better job of selling its products? This question is being discussed by an increasing number of manufacturers and sellers who recognize that lack of close, constructive cooperation is hurting them both.

Distributors would like to see manufacturers take these steps:

1. Adopt a standard, written policy toward distributors.
2. Protect territories, not necessarily by exclusive agreements, but at least by assuring each seller that the competition in his area will be reasonable.
3. Appoint an official in charge of relations with sellers.
4. Prepare product literature specifically for sellers' use.

5. Package with the sellers' special needs in mind.

There's also a lot that distributors can do themselves to improve their performance, believes Robert G. Welch, executive vice president of the American Steel Warehouse Association, Inc., Cleveland. He suspects that part of the problem with seller-manufacturer relations is that the distributor often works with his eye on the supplier first. "Look at the customer first," advises Welch. "A distributor's job is to sell the customer, not the supplier." And only when the emphasis is in the right direction, will the distributor make great strides in improving productivity. Welch has these suggestions for distributors:

1. Study your merchandising, especially the products and services customers want.
2. Use modern accounting systems to learn what true distribution costs are.
3. Look to your manpower—its quantity, quality, and training.

Mr. Welch and other experts believe that sellers and suppliers can achieve new harmony by working jointly on the problems of marketing their products. Few sellers have the resources for a full-scale marketing job.

But a joint effort can help answer questions like these: How can we avoid haphazard, waste-motion selling and concentrate only on the most profitable customers and products? How can we prepare to meet increased demand for our products 15, 20, or 25 years from now? How can a standard sales policy be developed that makes it clear to both seller and supplier what is and what is not sold through the independent agency? Do customers want more services from the seller, such as maintenance, technical aid, or minor processing?

Most experts agree that manufacturers are far ahead of distributors in accounting procedures. The supplier can give his seller substantial help in this area. Most distributors, for example, concentrate on products with a high gross profit. Yet those items may be far more expensive to sell than ones with a low gross but a higher net return. Modern accounting methods can clarify points like this for the distributor.

Probably the most important problem area where the supplier can help the seller is manpower. Mr. Welch points out that independent sellers have seriously underestimated their manpower needs. Most manufacturers have spent much time wrestling with recruiting problems and can pass along the benefit of their experience to the distributor. And since manufacturers are also likely to be more advanced in the realm of personnel relations, they can help the seller take effective measures to keep the good men he hires.

Finally, the manufacturer can help in the training of the seller's personnel. Republic Steel Corp. has a program called Order Makers' Institute, which educates distributor salesmen on selling techniques and product use and manufacture.

■ STEEL,
September 9, 1957, p. 74:2.

Strike Scoreboard for 1956

ALTHOUGH there were 11 per cent fewer strikes beginning in 1956 than in 1955, and there were fewer strikers directly involved, actual strike idleness rose 17 per cent to 33.1 million man-days. The 1956 average of 17.4 days lost per striker was the highest for any year since 1948.

Nearly half of the strikes called during the year were caused by disputes over wages, hours, and fringe benefits. Length of contract was an issue in some of the most important strikes in this group, including those in basic steel and at the Aluminum Company of America and the Reynolds Metals Company. Conflicts over union status (recognition, union security, etc.) were responsible for about a ninth of the disputes, and a combination of union status, wages, hours, and fringes caused about a twelfth. More than a fifth of the walkouts involved workloads, shop conditions and policies, and the like; the remainder (about a twelfth of the total) were due to inter- or intra-union conflicts.

Almost half of the year's strike idleness was accounted for by 12 stoppages that involved 10,000 or more employees each. Close to 40 per cent of lost man-days were caused by the basic steel strike and the strike at the U.S. Steel Company's Coal & Iron Division in Birmingham.

—*Labor Policy and Practice* (The Bureau of National Affairs, Inc., Washington 7, D.C.) No. 383

The Non-Mechanical Side of Maintenance

SHOULD MAINTENANCE MEN be trained to develop human relations skill and an understanding of over-all production problems? The answer is yes, according to Leslie W. Smith, manager of the finishing department of Bristol-Myers Co. (Hillside, N.J.), who believes that mechanical ability alone does not make a good maintenance man, and may even be detrimental.

For example, says Smith, a so-called "good" mechanic tends to be equipment-oriented. If a spring gets out of tension, he'll shut down the machine to replace it. A production-oriented mechanic, on the other hand, keeps the line running by crimping the spring with pliers and making a mental note to put in a new one when the shift changes.

A machine-oriented mechanic also resents operators who try to make suggestions; he wants them to keep hands off. But a people-oriented repairman shows operators how to make simple adjustments and prevent breakdowns. Again, the "good" mechanic blames breakdowns on poor operating technique, thus stirring up resentment.

Smith looks at it this way: "There are 5,000 points where a machine line can give trouble. The best mechanic can't keep his eye on all of them. But if he knows how to get along with those operating the machines, chances are they'll give him a real assist."

—Lester R. Bittel in *Factory Management and Maintenance* 9/57

"Planned Parenthood" for New Products

RESEARCHING THE MARKET before developing new products is one company's answer to the high rate of new-product failures with plagues most firms these days. Instead of developing a new product and trying to build a market for it, Thomas A. Edison Industries (West Orange, N. J.) carefully researches the already existing market and then matches the product to it.

"The successful products are the ones that have most completely satisfied the customer's wants, either spoken or unspoken," says Robert M. Oliver, marketing vice president for the company. "Those which have turned out badly have for the most part been the result of not knowing what the customer wants, or knowing but not delivering."

Edison developed its new-product program after it learned the hard way in 1950 that to be successful a new product must meet the customers' wants. In that year, Edison introduced, with great fanfare, a newly designed iron called the Stroke-Saver.

"A woman could iron every article in the wash with fewer strokes and less time," recalls Mr. Oliver. "We spared no effort in taking it to market, either; we pulled out all the stops. But the iron failed. It was not what women wanted. They wanted a steam iron and were perfectly willing to pay almost twice as much for it as for a Stroke-Saver."

How can such disasters be prevented? Here is the planned parenthood program recommended by Mr. Oliver:

1. *Establish profit standards based on return on your investment.* Each product and product line should carry its share of the load, so work out the exact cost and profit breakdown on each product. Traditional profit standards such as percentage of profit on sales are misleading. Even 2 per cent can be a satisfactory return on a sales dollar that turns over 12 times, for example.

2. *Plan a course of action for substandard products.* For profit-weak items, there are three possible decisions:

- Restore them to a profit-making position. This involves analysis of such factors as design, price structure, industry position, competitiveness, and cost of manufacture. The decision will depend on whether cost of accomplishment is less than the profit objective.
- Discontinue the product or line. This would be done only after the first choice of restoring the product to profitability has been found impractical or impossible.
- Continue the product for some particular reason—as a loss leader or to satisfy a special customer—even though it costs money to do so.

3. *Develop a written product policy.* "Few companies," Mr. Oliver says, "reduce product policy to writing, and it is an important thing to do." Such a policy should define the scope of the product line, quality

level, price range, and relationship to other products.

The organization's human, physical and financial resources should be clearly defined to guide the development of the product line. The effectiveness of the company name in helping to sell the product should be evaluated. Other important factors that should be included are market trends, volume characteristics, opportunity for leadership in the field, and profitability.

"A written product policy should be a set of rules that will guide key personnel in their action in connection with the product line," Mr. Oliver says. "Each contemplated newcomer into the product line can be evaluated in advance, before needless dollars have been poured into development and distribution."

4. *Research the market.* A dollar spent in determining what your customers or prospects will buy will save hundreds of product-development dollars.

"The flop of the Stroke-Saver iron could have been avoided by proper market research and advance sales tests," Mr. Oliver comments. Whenever it is contemplating new products or acquisitions, Edison now uses market research to determine if it wants to enter the market. If it does, more extensive studies are made to determine markets, their potentials, and what characteristics successful products should have.

5. *Develop a product for a market instead of a market for a product.* As an example of the importance of this policy, Mr. Oliver cites the case of Chrysler, which tried to market the Airflow design some years ago with disastrous results. In contrast, its recent Forward Look design has been an outstanding success. The reason for this success, according to Mr. Oliver, was that Chrysler found out what the public wanted.

■ NATION'S BUSINESS, *October, 1957, p. 96:5.*

Referral Plans Aid Technical Recruiting

EMPLOYEE REFERRAL PLANS can be an important aid in recruiting hard-to-find engineers and scientists, according to a survey recently completed by Industrial Relations News. Of the 220 companies surveyed, 101 currently have some sort of system to enable employees to refer prospective engineering recruits, and three-fourths of these reported "good" to "excellent" results. One company, for example, said that 82 per cent of the engineers it hired last year came through referrals. Commented the personnel manager of another company: "We have found this to be by far the best source we have for engineers."

More than half the firms with employee referral systems have formal programs in which management, through brochures, letters, and special meetings, attempts to interest staff engineers in recommending their friends. The remaining companies use informal methods—most frequently pep talks by managers and supervisors.

—*Industrial Relations News* (230 West 41 Street, New York 36, N. Y.) Vol. VII, No. 20

ALSO RECOMMENDED

Brief Summaries of Other Timely Articles

GENERAL

IS LONG-TERM INFLATION INEVITABLE? By Peter L. Bernstein. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), July-August, 1957. Reprints $1.00. Long-range business planning today is based on an uncritical acceptance of the "long-term inflationary trend" and the "wage-price spiral" as permanent, built-in fixtures of the American economy, says the author. In this article, he contends that these features may be temporary, and he cites two factors—the structure of the population and the supply of money—as examples of vital forces that have motivated the postwar boom but that need not, and, in his view, probably will not, continue to support industrial expansion indefinitely.

AMERICA BECOMES A TRADER. By Gilbert Burck and Sanford S. Parker. *Fortune* (9 Rockefeller Plaza, New York 20, N.Y.), October, 1957. $1.25. The U.S. is becoming a great international trader and investor, say the authors, reporting that just in the past three years the foreign market for U.S. goods and services has grown by 45 per cent to some $26 billion and should climb as high as $35 billion in another decade. Closely examining the reasons for expecting this outpouring, they predict that to a large degree the necessary dollars will come from a spectacular growth in U.S. imports—now running at a rate of $18 billion a year—and through U.S. investment abroad, which may hit an annual rate of $5 billion in ten years.

BUSINESS GIFTS AND AWARDS FOR CHRISTMAS. *Sales Management* (386 Fourth Avenue, New York 16, N. Y.), September 10, 1957. $1.00. Ranging from cigarette lighters and wrist watches to such delicacies as french-fried grasshoppers and kangaroo-tail soup, a large assortment of products suitable for Christmas business giving is described in this special issue of *Sales Management.* Among the features are a survey of corporate Christmas giving policies, a report on favorite business gifts of 1956, an illustrated shoppers' guide, and a debate on the pros and cons of business giving at Christmastime.

WASHINGTON AS INDUSTRY'S LEADERS SEE IT. By Kenneth Henry. *Dun's Review and Modern Industry* (99 Church Street, New York 8, N.Y.), September, 1957. 75 cents. Although 70 per cent of the 112 presidents of large corporations surveyed by *Dun's Review and Modern Industry* believe the Eisenhower administration is doing a satisfactory job, many qualify their praise and express disappointment in some aspects of Washington's record. This article presents top-management feelings about many areas of government activity, reporting among other things that industrial leaders foresee more government regulation and control of business, are almost evenly divided on the questions of trade with Red China and the banning of H-bomb tests, believe overwhelmingly that businessmen should contribute money to political campaigns, and are disturbed about the recent Supreme Court decision in the DuPont-General Motors case.

LIBERAL EDUCATION IN AN INDUSTRIAL SOCIETY. By David A. Shepard. The Public Affairs Committee, Inc. (22 East 38th Street, New York 16, N.Y.).

25 cents. Despite the current demand for technicians and scientists in industry, says the author, there is an urgent need for men with broad educational backgrounds to help solve the problems that success in technology has created. In this pamphlet, he points out the contributions that liberally educated men can make to industry and describes the increasing awareness on the part of both education and industry of their mutual interests and mutual dependence.

LEGAL HAZARDS OF INTERSTATE BUSINESS. By Roger D. Swett and John W. Hupp. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), July-August, 1957. Reprints $1.00. The efforts of states to raise revenue from the corporations doing business within their borders has resulted in a bewildering number of tax laws, the authors observe, and the confusion has frequently been compounded by changes in the interpretation of the law of contracts, agency, workmen's compensation, and other subjects. This article outlines some basic types of action, both individual and collective, that business can take to deal with the costly problems presented by the array of state and local laws and regulations.

THE SERVICE INDUSTRIES—THE UNKNOWN HALF OF THE ECONOMY. *Business Week* (330 West 42 Street, New York 36, N.Y.), September 21, 1957. 50 cents. In an attempt to establish a clearer picture of where the U.S. economy is headed, economists are busily exploring the vast territory of the service industries, which now take more than one-third of the consumer's dollar and account for more than half of the country's jobs. This article discusses some of the still unsettled questions about the role of service industries, such as (1) how do you define services? (2) why the big shift toward services? and (3) are the rising costs of services mainly responsible for the current inflationary trend?

INDUSTRIAL RELATIONS

MANAGEMENT OF WELFARE FUNDS. By Samuel Leigh. *Labor Law Journal* (4025 West Peterson Avenue, Chicago 30, Ill.), August, 1957. $1.00. With billions of dollars being poured each year into collectively bargained welfare funds, it becomes increasingly important for both employers and union members to know whether the funds are being soundly and economically managed, says the author. Pointing out that annual reports do not provide a comprehensive answer, he presents and discusses a series of questions about specific aspects of welfare fund management that should be investigated to determine whether a fund is well run.

HOW TO GET THE MOST FROM MEDIATION. By George Bennett. *Labor Law Journal* (4025 West Peterson Avenue, Chicago 30, Ill.), August, 1957. $1.00. Although some employers are reluctant to request mediation services in a labor dispute because they feel it is a sign of weakness, the author believes that a more positive attitude by management toward mediation will make it more useful in preventing strikes and other stoppages. He discusses the advantages of mediation—such as the mediator's objectivity and his capacity to keep communication lines open between disputants—and suggests some ways in which management can make mediation a more effective labor relations tool.

EFFECTIVE EMPLOYEE AND COMMUNITY RELATIONS. (Business Relations Department, Chamber of Commerce of the United States, Washington, D.C.).

50 cents. A report on how a growing company, faced with a widening gap between employees and management, embarked on an extensive, from-the-ground-up communications program built around the active participation of supervisors. This booklet describes some of the outstanding features of the program at Geo. D. Roper Corp. (Rockford, Ill.), including: (1) informal, flexible supervisory meetings, (2) questionnaires to test supervisors' comprehension of material presented in meetings, (3) extensive written communications for employees, and (4) revitalized bulletin boards.

DO EX-CONVICTS MAKE GOOD EMPLOYEES? By Phil Hirsch. *Commerce* (1 North LaSalle Street, Chicago 2, Ill.), September, 1957. 35 cents. The willingness of the business community to provide ex-convicts with jobs has an important bearing on the number of repeaters who must be put behind bars again, says the author, and hence influences the amount of taxes that business and private citizens must pay to maintain the prison system. In this article, he gives examples of companies that have employed ex-convicts and recounts their experiences with these rehabilitated workers.

OFFICE MANAGEMENT

THE AMERICAN OFFICE: TODAY AND TOMORROW. *Dun's Review and Modern Industry* (99 Church Street, New York 8, N.Y.), October, 1957. 75 cents. A broad survey of offices and office workers today. This special feature includes pictures and stories of offices that have developed solutions to many common problems of space and layout, a preview of how future offices will look, an evaluation of the results of office automation to date, and special articles on reduction of paperwork, the white-collar shortage, and the pay and status of today's white-collar workers.

THE IMPORTANCE OF PROGRAM MAINTENANCE. By John Boccomino. *Systems & Procedures* (4463 Penobscot Building, Detroit, Mich.), August, 1957. $1.50. It is not always recognized that business applications of electronic computers require a great deal of program maintenance work after the computer has been installed and programmed, the author says, pointing out that making the changes, corrections, and additions that are continually necessary has frequently proved to be a full-time job. As an illustration, he outlines the job of maintaining hourly payroll programs at the Ford Motor Company, and describes the five general types of problem that have been encountered.

THE BENEFITS OF "BATCHING." By Ralph W. Fairbanks and Jerome Hoffman. *Office Management* (212 Fifth Avenue, New York 10, N.Y.), October, 1957. 45 cents. One group of relatively unskilled workers can do the major part of almost any office's work, the authors maintain, by using the technique of "batching" the simple tasks and processing all items as a group in step-by-step fashion. Complex jobs, they say, can be handled by more highly skilled workers, and part-time workers can accomplish the rest after very little training. This article describes the operation of this technique, which, in the authors' view, will increase production and eliminate peakload crises in clerical tasks.

ARE SERVICE CONTRACTS A MUST? By Neil McDonald. *Office Equipment News* (146 Bates Road, Montreal 8, Quebec, Canada), September, 1957. $4.00 a year. Discussing some of the important factors involved in choosing

between maintenance service contracts for office machines and the use of repair calls at hourly rates, the author cites a survey showing that, although service contracts are most popular in offices of all sizes, they are most expensive in actual maintenance costs. Defenders of maintenance contracts, however, point out the advantages of less downtime, longer machine life, greater production efficiency, and lower accounting costs.

PRODUCTION MANAGEMENT

MANPOWER YARDSTICKS. *Factory Management and Maintenance* (330 West 42 Street, New York 36, N.Y.), September, 1957. Reprints 50 cents. The results of a detailed survey of manpower distribution in 226 manufacturing plants in 10 different industries are published in this article as a guide to managers who would like answers to such questions as, "How many employees should a foreman supervise?" and "What's a good ratio of maintenance to production workers?" Industry-by-industry figures are presented on the distribution of (1) plant operating employees; (2) production employees; (3) maintenance and engineering employees, and (4) non-operating employees. In each category percentages are broken down in terms of function (e.g., materials handling) and type of employee: supervisors, staff engineers, clerical employees, and hourly workers.

1958 PRODUCTION PLANBOOK AND BUYERS' GUIDE ISSUE. *American Machinist* (330 West 42 Street, New York 36, N.Y.), Mid-September, 1957. $1.00. This special issue offers, in condensed form, all the new cost-cutting, production-increasing developments and ideas reported in *American Machinist* during the past year. The material is organized under eight classifications: (1) management and personnel; (2) machining; (3) tooling; (4) pressworking, molding, and casting; (5) inspection, testing, and quality control; (6) assembly, heat treat, and finishing; (7) materials and components; and (8) materials handling and services. Also featured is a buyers' guide to equipment and supplies and a preview of metal-working developments expected in 1958.

THE IMPACT OF AUTOMATION. *American Machinist* (330 West 42 Street, New York 36, N.Y.), October 21, 1957. Reprints 35 cents. A broad evaluation of the progress of automation in industry in the nine-year period since the word was first used. Based on the editors' experience in reporting developments during that time, on a special survey of the metalworking industries, and on scores of interviews with men in industry, this special report reviews the extent to which automation is being used in U.S. plants today, the success it has enjoyed, its effect on productivity, and some current applications. In addition, one article assesses the role that plant automation will play in the future.

THE CASE OF SINGLE-STORY vs. MULTI-STORY. By A. T. Gaudreau. *Flow* (812 Huron Road, Cleveland 15, Ohio), August, 1957. 50 cents. Improvements in materials handling equipment and structural design have brought back some of the popularity enjoyed by multistory plants before the widespread swing to single-story buildings during World War II, the author reports. However, he cautions, a choice between the two types of plants depends on specific needs and circumstances, and he lists some of the advantages of both types in terms of capital investment, cost of operation, production facilities, and materials handling activities.

MARKETING

IS THE BLOOM OFF MADISON AVENUE? By John McCarthy. *Harper's Magazine* (49 East 33rd Street, New York 16, N.Y.), September, 1957. 50 cents. Although no drop in total advertising volume is anticipated, the author says, many believe that a shift in the traditional procedures of the advertising business is in the offing—a shift that may make agencies less exciting and less profitable places to work. As a basis for this belief, he cites three recent changes in agency-client relationships: (1) a tendency toward comparison shopping among agencies by the big corporate advertisers; (2) the increasing influence of outside consultants on the advertising and PR policies of major advertisers; and (3) increasing resistance to the established 15 per cent commission system.

THINGS YOUR COMPETITORS KNOW WHO SELL TO PREMIUM MARKETS NOW. By Lawrence W. Bell. *Sales Management* (386 Fourth Avenue, New York 16, N.Y.), September 6, 1957. 50 cents. For the company that wants to cash in on the booming premium market, this guide provides tips on selling to various types of premium users and describes 19 different kinds of premium programs in widespread use today, including (1) self-liquidators, (2) trading stamps, (3) club plans, (4) door-to-door sales, (5) party plans, (6) sales incentives, (7) dealer premiums, and (8) direct premiums.

WHAT DISTRIBUTORS WANT FROM MANUFACTURERS. By Carl Marshall. *Industrial Marketing* (200 East Illinois Street, Chicago 11, Ill.), September, 1957. 25 cents. More attention by manufacturers to distributor needs can mean more profits for both, according to this article by an industrial distributor. He recommends some specific ways in which manufacturers can cooperate with distributors, including (1) stating company policies in writing on such matters as dealer discounts, territories, price change protection, etc., (2) quoting accurate delivery dates, (3) supplying effective sales aids, (4) letting the distributor prepare local ads, and (5) putting out better sales literature.

FINANCIAL MANAGEMENT

PROFITABILITY INDEX FOR INVESTMENTS. By Ray I. Reul. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), July-August, 1957. Reprints $1.00. It is paradoxical, says the author, that our profit-oriented business system is still without a reliable yardstick to measure the potential profitability of investments, but it is true that the devices now available all have grave weaknesses. In this article, he presents a profitability index that he believes can be used to produce either a quick approximation of comparative rates of return from proposed outlays of funds or a detailed and accurate measure of potential profits.

RATES OF RETURN: THE EFFECTS OF BORROWING. By Louis O. Foster. *The Controller* (2 Park Avenue, New York 16, N.Y.), August, 1957. 60 cents. The traditional view that the presence of debt in a corporation's financial structure indicates a lack of soundness may have to be abandoned if the gross national product is to expand as predicted in the next decade, declares the author. For the company that is facing a problem in expansion financing, he outlines and illustrates a precise method for analyzing the relative costs of using various sources of capital as well as comparing the risks that would be involved.

PACKAGING

THE PACKAGE AS PRODUCT. By Ralph Saul Caplan. *Industrial Design* (18 East 50 Street, New York 22, N.Y.), September, 1957. $1.50. There's nothing really new about re-using containers after they've served their original purpose, the author says, but what is new is the extent to which manufacturers now design packages with re-use specifically in mind, plan the uses to which they will be put, and make them a reason—sometimes the most important reason—for buying the product. This article, which reviews the variety of reusable containers now being produced, makes it clear that in many cases the manufacturer is following the lead of consumers who first discover new uses for empty containers.

THE HANG OF IT. *Modern Packaging* (575 Madison Avenue, New York 22, N.Y.), September, 1957. 75 cents. The trend to hang-up packages is one of the most significant packaging developments of 1957, according to this article, which points out that this technique gains additional display space above regular shelving, encourages impulse buying, keeps stock orderly, and often uses less space than shelf- or counter-stacking. Ten examples of hang-up packaging are described and illustrated to show how the technique can be adapted to a variety of products.

MULTIPLE PACKAGES CAN SELL MORE GOODS. *Printers' Ink* (205 East 42 Street, New York 17, N.Y.), September 27, 1957. 25 cents. In this special panel report, five marketing experts discuss the current popularity of multiple packaging and predict its probable future course. Among the topics the discussion covers are the widespread use of three-in-one, four-in-one, and six-in-one packages for a variety of items from soap to sardines; the probability of even more of these packages being used in coming months; variations on the theme, such as six-packs that can be split into threes or twos; and the closer tie-in that is expected between advertising and the artwork on the packages themselves.

RESEARCH AND DEVELOPMENT

RESEARCH MANAGEMENT: THE NEW EXECUTIVE JOB. By George A. W. Boehm. *Fortune* (9 Rockefeller Plaza, New York 20, N.Y.), October, 1957. $1.25. A good man is hard to find—especially a good research director. The author of this article discusses some of the demanding requirements for this newly developed post in the corporation lineup: e.g., the research director should be at home in the laboratory's atmosphere of scientific inquiry and intellectual freedom, and yet he must also have enough managerial talent to balance a project's cost against its profit potential in formulating the company's research policy.

BUYING CONTRACT RESEARCH. By Melvin Mandell. *Dun's Review and Modern Industry* (99 Church Street, New York 8, N.Y.), September, 1957. 75 cents. For companies that lack research staffs or have staffs already working to full capacity, buying research from an independent laboratory can be the solution, says the author. In this inside guide to "outside" research, he discusses some of the important aspects of dealing with contract research organizations, including (1) selecting the right firm for particular needs, (2) what goes into the contract, and (3) establishing effective liaison with the researchers.

Will White-Collar Unions Make the Grade?

(Continued from page 21)

and fringes will not be strong enough to turn the trick, he feels, because other factors are even more important:

> The overwhelming majority of salesmen, typists, file clerks and professionals will not join because they feel it beneath their dignity, because they feel differently from blue-collar workers about their jobs and their status, because they are afraid it will hurt their advancement, and because the face of the labor movement seems to them to be rude and exploitative.

To this it might be added that few union organizers, coming in from the outside, are able to understand, much less deal with, the clique organization in an office—the subtle status arrangements that provide the greatest resistance to unionism among white-collar workers.

In any case, this forceful statement by an organizer, which is at sharp variance with the official views of the union top brass, delineates some of the problems that may lie ahead for the white-collar unions.

INTERNAL UNION PROBLEMS

In addition to the social factors, there are others which suggest that white-collar unionization on any significant scale is far from inevitable. Certainly it will not be the bed of roses that awaited the organizer during the depression, when the major industrial unions were signing up factory workers by the hundreds of thousands each year.

In the first place, intensive union organization drives are costly to launch, and to maintain. And it costs more to service the member where the units are small. Let's say, for example, that the regional organizer has to deploy his local organizers where they will do the most good. He puts a $6,000-a-year organizer on a drive to sign up ten small offices totaling 600 eligible employees. He estimates that three months of the organizer's time will have to be spent on this job. In addition to his salary, it will cost another $2,500-3,000 for campaign expenses. If the campaign were completely successful—a most unlikely outcome—the union would have added 600 members at a cost of between $3,000 and

$5,000. At a dues income in excess of $1,000 a month after head-tax to the international, the new local stands a chance of survival, though the costs of servicing 600 members, doing different work in a number of different places, will make that sum look pretty small most months. The local, for example, will not be able to afford to rent an office which is more than a hole in the wall, and it will have to be equipped on a shoe-string. The job of business agent, if a full-time agent can be afforded at all, will involve such hectic division of effort and low pay that few members would be willing to take it on. The chances of building a substantial reserve are remote.

In addition to these business problems, there is the matter of selecting, placing, training, and supervising organizers who can do a real job for the union. Whereas factory workers often see it as a step up the ladder to become a professional union organizer, the office worker has less to gain from the standpoint of status and working conditions. It would seem also from the *Harper's* article that the unions have something of a morale problem among the organizers themselves.

OBSTACLES TO UNIONIZATION

These, plus a number of other problems, add up to an impressive list of factors that militate against white-collar unionization on any massive scale:

1. Nobody can organize the white-collar field until he has accurately defined it. The ranges of interests and occupations within it are so great, and the people employed in these occupations often have so little in common, that it will take long and costly efforts to unite them.

2. The white-collar field is something of a twilight zone, close to management, and many of the people in it are on the verge of entering positions which would exempt them from the unit. This makes for less stability of membership.

3. The clique, or informal organization, has greater influence in the office than anywhere else. Any drive that attempts to split these cliques would almost inevitably bog down. For example, efforts to get private secretaries to join a union of secretaries which had started in the typing pool would most probably fail. Under

reverse conditions such an effort might succeed, but it's much harder to organize from the top down.

4. The image of the labor leader is not one with which most office workers or professionals will identify. The way to the top in most unions has been through industrial jobs. Though a white-collar worker might not *admit* that he feels socially superior, neither will he establish any conspicuous rapport with an ex-plumber or a former machinist.

5. The economics of white-collar organization are against rapid unionization. It's a market that's hard to get a grip on and expensive to promote. Not only that—there simply aren't enough experienced organizers around who can sell it.

MANAGEMENT REACTIONS TO THE WHITE-COLLAR DRIVE

In the light of the interest and activity on the part of the unions in organizing white-collar workers, what generally has been management's reaction? Some have reacted with panic, and a few, at the opposite extreme, with philosophical acceptance of the inevitable. It would be hard to say which of these attitudes is the less constructive. But some in management are taking a more positive tack:

1. Companies are studying the demands that might be made upon them and attempting to meet them on a planned basis before a union comes in. Salaries are being upgraded, and systematic methods of wage-and-salary administration are being applied to more and more white-collar jobs.

2. More emphasis is being placed upon "professionalism" in certain of the white-collar occupations. It is reasoned, with some basis, that the engineer, teacher, scientist, or other white-collar worker who consciously regards himself as a professional is not the most likely candidate for union membership. That this approach has been successful is evidenced by the recent chaotic splits within certain of the professional workers' unions. Most of these schisms have developed over the struggle for control between members with advanced degrees and the rather sizable body of members at the technician and assistant level—two status groups that tend to view themselves quite differently:

3. Industry is making more systematic efforts to train office

and engineering supervisors in management and human relations, and so are retail stores, though on a somewhat lesser scale.

THE OVER-ALL OUTLOOK

That the unions will make a serious and sustained effort to organize white-collar workers on a broad scale is beyond any question. They have an impressive number of obstacles to overcome, however—not only internal union problems, but some that are even less tractable and arise from the nature and structure of the group to be organized. On balance, most of the advantages in the near future lie with management. And the best way to consolidate them is to do a little stock-taking now. For management's present favorable position could change rather quickly through inept handling of the situation—or through sheer default.

Pension Equity—You Can Take It with You

A STEADILY INCREASING NUMBER of employees are learning that they don't have to sacrifice pension fund rights when they change jobs. There has been a marked rise in the number of pension plans which give the beneficiaries rights to all or a portion of the annual contributions whether they continue to work until retirement age or leave earlier. One top banking official estimates that about one-third of all new plans being written now grant some form of vesting privilege, as compared with no more than one-tenth only a decade ago.

Paralleling the increase in the number of plans with vesting provisions is the liberalization of such provisions. This trend was stimulated by the 1955 agreement of General Motors to grant workers vested rights in a pension after they reach 40 and have worked for the company for a minimum of 10 years. Previously, the few plans with vesting had it only in the form of early retirement or after at least 25 years of employment with the company.

In form, vesting ranges from an outright settlement at time of resignation to a deferred annuity payable monthly after the beneficiary reaches 65. Vesting is estimated to add about 10 per cent to the cost of most retirement plans. While many employers balk at this expense, others believe that vesting is worth the extra cost because it makes it easier for dissatisfied employees to leave without big financial sacrifices. These employers feel that it is cheaper in the long run to pay for vesting privileges than to have the unhappy worker stay on and drag down the morale of his fellow employees.

—Ben Weberman in *The Journal of Commerce* 9/24/57

Business Finds Recruits in the Ivory Tower

BUSINESS AND INDUSTRY have found a new source of talent: liberal arts graduates working for their Masters and Doctor of Philosophy degrees. Graduates with advanced degrees in the sciences and engineering always have been sought by industry. But now liberal arts students with M.A. and Ph.D. degrees, who formerly had virtually no choice other than to become teachers, can find lucrative jobs with large corporations. For example, reports Hartley Simpson, Dean of the Yale Graduate School, IBM recently hired a student with a Ph.D. in sociology, and Rand Corporation took on two Ph.D. students in international relations.

Why are industry and business interested in hiring liberal arts students even though they have no specialized training? According to William C. Caples, vice president of Inland Steel Co., "The complexities of business are such that someone who understands history, literature, and philosophy, and who is in a position to do some disciplined thinking, has the type of mind that will ultimately succeed."

Albert J. Nickerson, president of Socony-Vacuum Co., explains it this way, "While a man's technical knowledge may be his best tool during his first five years or so with our company, in many cases this curve tends to flatten out on the value chart and is met by the ascendant curve of the man's skill in human relations and other non-technical areas."

"What happened to our policy of adding one or two rookies each year?"

The Human Side of Enterprise

(Continued from page 28)

in a "fair break"—and thus where safety needs are thwarted. But by making possible the satisfaction of low-level needs, management has deprived itself of the ability to use as motivators the devices on which conventional theory has taught it to rely—rewards, promises, incentives, or threats and other coercive devices.

The philosophy of management by direction and control—*regardless of whether it is hard or soft*—is inadequate to motivate because the human needs on which this approach relies are today unimportant motivators of behavior. Direction and control are essentially useless in motivating people whose important needs are social and egoistic. Both the hard and the soft approach fail today because they are simply irrelevant to the situation.

People, deprived of opportunities to satisfy at work the needs which are now important to them, behave exactly as we might predict—with indolence, passivity, resistance to change, lack of responsibility, willingness to follow the demagogue, unreasonable demands for economic benefits. It would seem that we are caught in a web of our own weaving.

A NEW THEORY OF MANAGEMENT

For these and many other reasons, we require a different theory of the task of managing people based on more adequate assumptions about human nature and human motivation. I am going to be so bold as to suggest the broad dimensions of such a theory. Call it "Theory Y," if you will.

1. Management is responsible for organizing the elements of productive enterprise—money, materials, equipment, people—in the interest of economic ends.

2. People are *not* by nature passive or resistant to organizational needs. They have become so as a result of experience in organizations.

3. The motivation, the potential for development, the capacity for assuming responsibility, the readiness to direct behavior toward organizational goals are all present in people. Management does not put them there. It is a responsibility of management to make

it possible for people to recognize and develop these human characteristics for themselves.

4. The essential task of management is to arrange organizational conditions and methods of operation so that people can achieve their own goals *best* by directing *their own* efforts toward organizational objectives.

This is a process primarily of creating opportunities, releasing potential, removing obstacles, encouraging growth, providing guidance. It is what Peter Drucker has called "management by objectives" in contrast to "management by control." It does *not* involve the abdication of management, the absence of leadership, the lowering of standards, or the other characteristics usually associated with the "soft" approach under Theory X.

SOME DIFFICULTIES

It is no more possible to create an organization today which will be a full, effective application of this theory than it was to build an atomic power plant in 1945. There are many formidable obstacles to overcome.

The conditions imposed by conventional organization theory and by the approach of scientific management for the past half century have tied men to limited jobs which do not utilize their capabilities, have discouraged the acceptance of responsibility, have encouraged passivity, have eliminated meaning from work. Man's habits, attitudes, expectations—his whole conception of membership in an industrial organization—have been conditioned by his experience under these circumstances.

People today are accustomed to being directed, manipulated, controlled in industrial organizations and to finding satisfaction for their social, egoistic, and self-fulfillment needs away from the job. This is true of much of management as well as of workers. Genuine "industrial citizenship"—to borrow again a term from Drucker—is a remote and unrealistic idea, the meaning of which has not even been considered by most members of industrial organizations.

Another way of saying this is that Theory X places exclusive reliance upon external control of human behavior, while Theory Y relies heavily on self-control and self-direction. It is worth noting that this difference is the difference between treating people as

children and treating them as mature adults. After generations of the former, we cannot expect to shift to the latter overnight.

STEPS IN THE RIGHT DIRECTION

Before we are overwhelmed by the obstacles, let us remember that the application of theory is always slow. Progress is usually achieved in small steps. Some innovative ideas which are entirely consistent with Theory Y are today being applied with some success.

Decentralization and Delegation

These are ways of freeing people from the too-close control of conventional organization, giving them a degree of freedom to direct their own activities, to assume responsibility, and, importantly, to satisfy their egoistic needs. In this connection, the flat organization of Sears, Roebuck and Company provides an interesting example. It forces "management by objectives," since it enlarges the number of people reporting to a manager until he cannot direct and control them in the conventional manner.

Job Enlargement

This concept, pioneered by I.B.M. and Detroit Edison, is quite consistent with Theory Y. It encourages the acceptance of responsibility at the bottom of the organization; it provides opportunities for satisfying social and egoistic needs. In fact, the reorganization of work at the factory level offers one of the more challenging opportunities for innovation consistent with Theory Y.

Participation and Consultative Management

Under proper conditions, participation and consultative management provide encouragement to people to direct their creative energies toward organizational objectives, give them some voice in decisions that affect them, provide significant opportunities for the satisfaction of social and egoistic needs. The Scanlon Plan is the outstanding embodiment of these ideas in practice.

Performance Appraisal

Even a cursory examination of conventional programs of performance appraisal within the ranks of management will reveal

how completely consistent they are with Theory X. In fact, most such programs tend to treat the individual as though he were a product under inspection on the assembly line.

A few companies—among them General Mills, Ansul Chemical, and General Electric—have been experimenting with approaches which involve the individual in setting "targets" or objectives *for himself* and in a *self*-evaluation of performance semiannually or annually. Of course, the superior plays an important leadership role in this process—one, in fact, which demands substantially more competence than the conventional approach. The role is, however, considerably more congenial to many managers than the role of "judge" or "inspector" which is usually forced upon them. Above all, the individual is encouraged to take a greater responsibility for planning and appraising his own contribution to organizational objectives; and the accompanying effects on egoistic and self-fulfillment needs are substantial.

APPLYING THE IDEAS

The not infrequent failure of such ideas as these to work as well as expected is often attributable to the fact that a management has "bought the idea" but applied it within the framework of Theory X and its assumptions.

Delegation is not an effective way of exercising management by control. Participation becomes a farce when it is applied as a sales gimmick or a device for kidding people into thinking they are important. Only the management that has confidence in human capacities and is itself directed toward organizational objectives rather than toward the preservation of personal power can grasp the implications of this emerging theory. Such management will find and apply successfully other innovative ideas as we move slowly toward the full implementation of a theory like Y.

THE HUMAN SIDE OF ENTERPRISE

It is quite possible for us to realize substantial improvements in the effectiveness of industrial organizations during the next decade or two. The social sciences can contribute much to such developments; we are only beginning to grasp the implications of the growing body of knowledge in these fields. But if this conviction

is to become a reality instead of a pious hope, we will need to view the process much as we view the process of releasing the energy of the atom for constructive human ends—as a slow, costly, sometimes discouraging approach toward a goal which would seem to many to be quite unrealistic.

The ingenuity and the perseverance of industrial management in the pursuit of economic ends have changed many scientific and technological dreams into commonplace realities. It is now becoming clear that the application of these same talents to the human side of enterprise will not only enhance substantially these materialistic achievements, but will bring us one step closer to "the good society."

Who Wants a Shorter Work Week?

A MAJORITY OF PEOPLE in the U.S. are against the idea of a four-day work week, according to a survey recently completed by the American Institute of Public Opinion. Of those interviewed, 61 per cent said they would not like to see such a plan adopted, 31 per cent said they would, and 8 per cent expressed no opinion. Women are more strongly opposed than men, the comparative figures being 67 and 54 per cent.

Among various types of occupations, manual workers showed the strongest sentiment in favor of the shorter work week: 39 per cent voted for it, 55 per cent against it, and 6 per cent neither for nor against. White-collar workers showed a similar division, but professionals and businessmen were more sharply against the idea, with 66 per cent turning it down, 25 per cent favoring it, and 9 per cent expressing no opinion.

Wide differences of opinion also show up by size of city, with big-city residents considerably more inclined to look with favor on the shorter work week than are those living in small towns and rural areas.

One of the arguments advanced by labor leaders for the shorter work week is that the present forty-hour week is a physical strain on workers and lessens their efficiency. However, the survey indicates that some workers might use the extra time working at a second job. Of the regularly employed men interviewed, 15 per cent now have second jobs, at which they spend a median average of 20 hours a week. Moreover, many factory workers are now working overtime and have come to depend on this extra pay to maintain their standard of living.

The survey thus suggests that if workers were given a choice between more leisure time and a higher standard of living, a majority would choose to raise their standard of living.

—George Gallup (Director, American Institute of Public Opinion)

Book Notes

(Please order directly from publishers)

GENERAL

WORLD BALANCE SHEET. By Robert R. Doane. Harper & Brothers, New York, 1957. 260 pages. $10.00. An inventory of the world's resources in land, minerals, fuels, air, water, population, food, and money. Presenting estimates of existing supplies and their rate of depletion in tabular form, the author argues the need for conservation as the basis for a sound political economy.

MODERN VOCATIONAL TRENDS HANDBOOK, 1957-1958. By J. L. Glanvelle, Assistant Director, Modern Vocational Trends Bureau. World Trade Academy Press, Inc., New York, 1957. 324 pages. $9.50. The fourth edition of this book offers some interesting information on occupational trends, with a special chapter devoted to the business-management field. The book is divided into three sections: Part I lists the 25 professions currently most in need of personnel; Part II classifies more than 600 jobs according to occupational aptitudes; and Part III supplies further guidance and occupational data.

STATISTICS OF NATIONAL PRODUCT AND EXPENDITURE: *No. 2, 1938 and 1947 to 1955*. Organisation for European Economic Co-operation, 2000 P Street, N.W., Washington 6, D.C. 1957. 211 pages. $2.50. This second volume in a continuing series of OEEC publications giving national account statistics for the 19 member countries contains new data for the years 1953-1955 and a number of revisions in the figures for the periods 1938 and 1947-1952.

INVESTING FOR RETIREMENT. By the J. K. Lasser Tax Institute and Sam Shulsky. Business Reports, Inc., Larchmont, N.Y., 1957. 122 pages. $3.00. This clearly written guide to planning for retirement contains appropriate information for men and women in almost any age or income group. Various procedures outlining safe investments in stocks, insurance and annuities, and home ownership, are described in a straightforward manner. Chapters on Social Security, pension plans, and taxes help to round out the picture.

PRINCIPLES OF STATISTICAL ANALYSIS. By Samuel B. Richmond. The Ronald Press Company, New York, 1957. 491 pages. $6.50. A comprehensive treatment of the theoretical bases and procedures of modern statistics. Though directed to students of business and the social sciences, the book is intended to serve also as a guide to the nonspecialist in interpreting and using statistical materials. No mathematics beyond high school algebra is required of the reader.

THE PSYCHOLOGY OF PERSUASIVE SPEECH. By Robert T. Oliver. Longmans, Green and Company, New York, 1957. 466 pages. $5.00. This volume contains much of the material originally published in two earlier books, *The Psychology of Persuasive Speech* (1942) and *Persuasive Speaking: Principles and Methods* (1950). The author is concerned with persuasion as such, and assumes that the reader has a good basic knowledge of speechmaking. Citing concrete examples, he illustrates the use of human motivations as a stepping stone to persuasive speaking.

USA IN NEW DIMENSIONS: *The Measure and Promise of America's Resources.* By Thomas R. Carskadon, George Soule, and Rudolf Modley. The Macmillan Company, New York, 1957. 124 pages. $1.50. Based on a Twentieth Century Fund study, this book traces the growth of the American economy and estimates future possibilities. It compares working conditions and productivity in the United States with those in the rest of the world, and provides revealing statistics on such topics as marriages, income, spending, education, and travel. The authors conclude that the record is reassuring, and that the future looks even better than the past.

GROUP DISCUSSION PROCESSES. By John W. Keltner. Longmans, Green and Company, New York, 1957. 373 pages. $4.50. The author defines group discussion as "problem-solving by two or more people talking and thinking together in a group where they work face to face with each other." Concentrating primarily on the problem-solving function, he reviews standard discussion techniques but emphasizes the need for innovation and original thinking. Practical suggestions are given for conducting committee meetings, staff meetings, and conferences.

THEY WENT TO COLLEGE EARLY. The Fund for the Advancement of Education, New York, 1957. 117 pages. Gratis. A report on an experiment in which 420 specially selected high-school students were allowed to enter 11 American colleges and universities two years earlier than usual. The young entrants had some initial difficulties, but generally compared well with other college students, both socially and scholastically. The authors suggest early college admissions as a possible method of beating the shortage of specialized talent in business and industry.

HOW TO WRITE BETTER BUSINESS LETTERS. By Earle A. Buckley. McGraw-Hill Book Company, Inc., New York, 1957. 280 pages. $4.00. A step-by-step explanation of the principles involved in letter writing, with emphasis on sales letters and other correspondence of a promotional nature.

THE SUPPLY OF CAPITAL FUNDS FOR INDUSTRIAL DEVELOPMENT IN EUROPE AND THE UNITED STATES: *Resources, Structures, Methods. Supplement II: Austria, Germany, United States.* The Organisation for European Economic Co-operation, 2000 P Street, N.W., Washington 6, D.C. 1957. 126 pages. $1.00. This report deals with the general structure and operation of capital markets in each of the countries listed as well as specific problems such as impediments to the formation of risk capital, credit difficulties of small enterprise, the role of institutional investors, and the need for foreign capital in international development.

Publications Received

(Please order directly from publishers)

GENERAL

NEEDED: A NEW FOREIGN AID POLICY. By Howard C. Petersen. Committee For Economic Development, 444 Madison Avenue, New York City 22. 1957. 28 pages. Gratis.

ECONOMIC DEVELOPMENT ASSISTANCE. By The Research and Policy Committee of the Committee for Economic Development, 444 Madison Avenue, New York City 22. 1957. 37 pages. Gratis.

A BIBLIOGRAPHY OF THEORY AND RESEARCH TECHNIQUES IN THE FIELD OF HUMAN MOTIVATION. By Advertising Research Foundation, Inc., 3 E. 54th Street, New York 22, New York. 1956. 117 pages. $5.00.

TEN COMMANDMENTS FOR WRITING LETTERS THAT GET RESULTS. By John P. Riebel and Donald R. Roberts. Printers' Ink Books, Pleasantville, New York. 1957. 184 pages. $6.00.

L. URWICK: *A Bibliography*. Urwick, Orr & Partners Ltd., Urwick House, 29 Hertford Street, Park Lane, London, W.1. 1957. 45 pages. Gratis.

ON HUMAN COMMUNICATION: A *Review, a Survey, and a Criticism*. By Colin Cherry. The Technology Press of Massachusetts Institute of Technology and John Wiley & Sons, Inc., New York. 1957. 333 pages. $6.75.

GUIDE TO ATOMIC ENERGY LITERATURE FOR THE CIVILIAN APPLICATION PROGRAM. United States Atomic Energy Commission, Washington 25, D.C. 1957. 74 pages. Gratis.

AVIATION FACTS AND FIGURES, 1957. Compiled by Rudolf Modley, Edward B. Hincks, and Ben S. Lee. American Aviation Publications, 1001 Vermont Avenue, N.W., Washington 5, D.C. 1957. 120 pages. $1.00.

ESTATE PLANNING. By James A. Byrd. Bureau of Business Research, the University of Texas, Austin, Texas. 1957. 41 pages. $.50.

AT WORK FOR EUROPE: *Third Edition*. The Organisation for European Economic Co-operation, 2000 P Street, N.W., Washington 6, D.C. 1956. 107 pages. Gratis.

MARKETING

SELLING THE UNITED STATES MARKET. Domestic Commerce Series No. 29. By Gustav E. Larson and Marshall N. Poteat. For sale by the Superintendent of Documents, United States Government Printing Office, Washington 25, D.C. 1951. 135 pages. $1.00.

MARKETING RESEARCH IN THE PETROLEUM INDUSTRY. By the Marketing Research Committee of the American Petroleum Institute, 50 W. 50th Street, New York, N.Y. 1957. 176 pages. $2.75.

FURNITURE MARKETING: *Product, Price, and Promotional Policies of Manufacturers*. By Kenneth R. Davis. School of Business Administration, University of North Carolina, Chapel Hill, N. C., 1957. 224 pages. $5.00.

PREMIUMS: *Portfolio 2.* By Printers' Ink Books, Pleasantville, New York. 1956. 80 pages. $10.00.

DEPARTMENTAL MERCHANDISING RESULTS IN SMALL DEPARTMENT STORES, *1954 and 1955.* By Edgar H. Gault. Bureau of Business Research, School of Business Administration, University of Michigan, Ann Arbor, 1957. 52 pages. $2.00.

THE TELEVISION COMMERCIAL: *How to Create and Produce Effective TV Advertising.* By Harry Wayne McMahan. Hastings House, 41 E. 50th Street, New York City. 1957. 223 pages. $6.50.

ADVERTISING TO AND THROUGH SCHOOLS AND COLLEGES: *Portfolio 10.* By Printers' Ink Editors. Printers' Ink Books, Pleasantville, New York. 1957. 64 pages. $10.00.

FINANCIAL

TAX PLANNING UNDER THE NEW REGULATIONS: *14 Analyses Showing How to Minimize Taxes Today.* By The Journal of Taxation, Inc., 147 East 50th Street, New York City 22. 1957. 194 pages. $4.95.

ECONOMICS: *Principles and Applications.* By James Harvey Dodd and Carl W. Hasek. South-Western Publishing Company, 5101 Madison Road, Cincinnati 27, Ohio. 1957. 817 pages. $6.00.

THE INTERPRETATION OF ACCOUNTING. F. S. Bray. Oxford University Press, N.Y. 1957. 215 pages. $4.80.

MONEY AND BANKING: *Sixth Edition.* By Charles L. Prather. Richard D. Irwin, Inc., Homewood, Illinois. 1957. 650 pages. $7.80.

PRINCIPLES OF ACCOUNTING: *Fifth Edition.* By H. A. Finney and Herbert E. Miller. Prentice-Hall, Inc., Englewood Cliffs, N. J. 1957. 757 pages. $9.25.

ACCOUNTING PRINCIPLES: *Seventh Edition.* By Howard S. Noble and C. Rollin Niswonger. South-Western Publishing Company, 5101 Madison Road, Cincinnati 27, Ohio. 1957. 742 pages. $6.00.

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